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CONFERENCE OF THE PARTIES

REPORT OF THE CONFERENCE OF THE PARTIES ON THE SECOND PART OF ITS SIXTH SESSION, HELD AT BONN FROM 16 TO 27 JULY 2001

Addendum

PART FOUR: DRAFT DECISIONS ON WHICH PROGRESS WAS NOTED BY THE CONFERENCE OF THE PARTIES AT THE SECOND PART OF ITS SIXTH SESSION AND WHICH THE CONFERENCE OF THE PARTIES DECIDED TO FORWARD TO ITS SEVENTH SESSION FOR ELABORATION, COMPLETION AND ADOPTION

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I. LAND USE CHANGE AND FORESTRY

Draft decision -/CP.7[1]

Land use, land-use change and forestry

The Conference of the Parties,

Recalling its decisions 1/CP.4, 8/CP.4, 9/CP.4 and 16/CP.5,

Acknowledging with appreciation the scientific advice provided in the *Special Report on Land use, Land-use Change and Forestry* prepared by the Intergovernmental Panel on Climate Change,

1. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session adopt decision -/CMP.1 (*Land use, land-use change and forestry*);

2. *Requests* the Subsidiary Body for Scientific and Technological Advice (SBSTA):

(a) To consider, following the completion of the methodological work by the Intergovernmental Panel on Climate Change (IPCC) as outlined in paragraph 3 (c) below, and adopt methodologies to account for anthropogenic greenhouse gas emissions resulting from direct human-induced degradation and devegetation activities, with a view to the Conference of the Parties at its tenth session recommending a decision for adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session regarding whether such activities should be included in the first commitment period;

(b) To investigate the possible application of biome-specific forest definitions for the second and subsequent commitment periods with a view to the Conference of the Parties at its tenth session recommending a decision for adoption on the use of such biome-specific forest definitions for future commitment periods to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session;

(c) To incorporate the work of the IPCC as outlined in paragraph 3 (d) below into any revisions of modalities, rules and guidelines prior to the second commitment period, for the accounting of activities under Article 3.4 of the Kyoto Protocol;

(d) To develop at its fifteenth session terms of reference for the work to be conducted under paragraph 2 (e) below;

(e) To develop definitions and modalities for including afforestation and reforestation project activities under Article 12 in the first commitment period, taking into account the issues

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[1] This text was given limited distribution at the second part of the sixth session under the symbol FCCC/CP/2001/L.11/Rev.1.

of non-permanence, additionality, leakage, uncertainties and socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems, and being guided by the principles in the preamble to decision -/CMP.1 (*Land use, land-use change and forestry*) and the terms of reference referred to in paragraph 2 (d) above, with the aim of adopting a decision on these definitions and modalities at the ninth session of the Conference of the Parties, to be forwarded to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session;

3. *Invites* the Intergovernmental Panel on Climate Change (IPCC):

(a) To elaborate methods to estimate, measure, monitor, and report changes in carbon stocks and anthropogenic greenhouse gas emissions by sources and removals by sinks resulting from land use, land-use change and forestry activities under Article 3.3 and 3.4, and Articles 6 and 12 of the Kyoto Protocol on the basis of the *Revised 1996 Intergovernmental Panel on Climate Change Guidelines for National Greenhouse Gas Inventories*, taking into account decisions -/CMP.1 and -/CP.7, to be submitted for consideration and possible adoption to the Conference of the Parties at its ninth session;

(b) To prepare a report on good practice guidance and uncertainty management relating to the measurement, estimation, assessment of uncertainties, monitoring and reporting of net carbon stock changes and anthropogenic greenhouse gas emissions by sources and removals by sinks in the land use, land-use change and forestry sector, taking into consideration decisions -/CMP.1 and -/CP.7, to be submitted for consideration and possible adoption to the Conference of the Parties at its ninth session;

(c) To develop definitions for direct human-induced 'degradation' of forests and 'devegetation' of other vegetation types and methodological options to inventory and report on emissions resulting from these activities, to be submitted for consideration and possible adoption to the Conference of the Parties at its ninth session; and,

(d) To develop practicable methodologies to factor out direct human-induced changes in carbon stocks and greenhouse gas emissions by sources and removals by sinks from changes in carbon stocks and greenhouse gas emissions by sources and removals by sinks due to indirect human-induced and natural effects (such as those from carbon dioxide fertilization and nitrogen deposition), and effects due to past practices in forests (pre-reference year), to be submitted to the Conference of the Parties at its tenth session;

4. *Decides* that any changes to the treatment of harvested wood products shall be in accordance with future decisions of the Conference of the Parties.

Draft decision -/CMP.1

Land use, land-use change and forestry

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Affirming that the implementation of land use, land-use change and forestry activities included under the provisions of the Kyoto Protocol shall be consistent with the objectives and principles of, and any decisions taken under, the United Nations Framework Convention on Climate Change and its Kyoto Protocol,

Having considered decision -/CP.7 adopted by the Conference of the Parties at the second part of its sixth session,

1. *Affirms* that the following principles govern the treatment of land use, land-use change and forestry activities:

(a) That the treatment of these activities be based on sound science;

(b) That consistent methodologies be used over time for the estimation and reporting of these activities;

(c) That the aim stated in Article 3.1 of the Kyoto Protocol not be changed by accounting for land use, land-use change and forestry activities;

(d) That the mere presence of carbon stocks be excluded from accounting;

(e) That the implementation of land use, land-use change and forestry activities contributes to the conservation of biodiversity and sustainable use of natural resources;

(f) That accounting for land use, land-use change and forestry does not imply a transfer of commitments to a future commitment period;

(g) That reversal of any removal due to land use, land-use change and forestry activities be accounted for at the appropriate point in time;

(h) That accounting excludes removals resulting from: (i) elevated carbon dioxide concentrations above their pre-industrial level; (ii) indirect nitrogen deposition; and (iii) the dynamic effects of age structure resulting from activities and practices before the reference year;

2. *Decides* that good practice guidance, and methods to estimate, measure, monitor and report changes in carbon stocks and anthropogenic greenhouse gas emissions by sources and removals by sinks resulting from land use, land-use change and forestry activities, as developed by the Intergovernmental Panel on Climate Change, shall be applied by Parties, if decided in accordance with relevant decisions of the Conference of the Parties and the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

3. *Decides* that anthropogenic greenhouse gas emissions by sources and removals by sinks shall be accounted for in accordance with the annex to this decision and reported in annual inventories and reviewed in accordance with relevant decisions relating to Articles 5, 7 and 8 of the Kyoto Protocol, and in accordance with the *Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories*, any future elaboration of these guidelines, or parts of them, and any good practice guidance on land-use change and forestry in accordance with relevant decisions of the Conference of the Parties and the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

4. *Adopts* the definitions, modalities, rules and guidelines relating to land use, land-use change and forestry activities under Articles 3, 6 and 12 of the Kyoto Protocol contained in the annex for application in the first commitment period.

ANNEX

Definitions, modalities, rules and guidelines relating to land use, land-use change and forestry activities under the Kyoto Protocol

A. Definitions

1. For land use, land-use change and forestry activities under Articles[2] 3.3 and 3.4, the following definitions shall apply:

(a) "Forest" is a minimum area of land of 0.05-1.0 hectares with tree crown cover (or equivalent stocking level) of more than 10-30 per cent with trees with the potential to reach a minimum height of 2-5 metres at maturity *in situ*. A forest may consist either of closed forest formations where trees of various storeys and undergrowth cover a high proportion of the ground or open forest. Young natural stands and all plantations which have yet to reach a crown density of 10-30 per cent or tree height of 2-5 metres are included under forest, as are areas normally forming part of the forest area which are temporarily unstocked as a result of human intervention such as harvesting or natural causes but which are expected to revert to forest.

(b) "Afforestation" is the direct human-induced conversion of land that has not been forested for a period of at least 50 years to forested land through planting, seeding and/or the human-induced promotion of natural seed sources.

(c) "Reforestation" is the direct human-induced conversion of non-forested land to forested land through planting, seeding and/or the human-induced promotion of natural seed sources, on land that was forested but that has been converted to non-forested land. For the first commitment period, reforestation activities will be limited to reforestation occurring on those lands that did not contain forest on 31 December 1989.

(d) "Deforestation" is the direct human-induced conversion of forested land to non-forested land.

(e) "Revegetation" is a direct human-induced activity to increase carbon stocks on sites through the establishment of vegetation that covers a minimum area of 0.05 hectares and does not meet the definitions of afforestation and reforestation contained here.

(f) "Forest management" is a system of practices for stewardship and use of forest land aimed at fulfilling relevant ecological (including biological diversity), economic and social functions of the forest in a sustainable manner.

(g) "Cropland management" is the system of practices on land on which agricultural crops are grown and on land that is set aside or temporarily not being used for crop production.

(h) "Grazing land management" is the system of practices on land used for livestock production aimed at manipulating the amount and type of vegetation and livestock produced.

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[2] "Article" in this annex refers to an Article of the Kyoto Protocol, unless otherwise specified.

B. Article 3.3

2. For the purposes of Article 3.3, eligible activities are those direct human-induced afforestation, reforestation and or deforestation activities that meet the requirements set forth in this annex and that started on or after 1 January 1990 and before 31 December of the last year of the commitment period.

3. For the purposes of determining the area of deforestation to come into the accounting system under Article 3.3, each Party shall determine the forest area using the same spatial assessment unit as is used for the determination of afforestation and reforestation, but not larger than 1 hectare.

4. For the first commitment period, debits[3] resulting from harvesting during the first commitment period following afforestation and reforestation since 1990 shall not be greater than credits[4] accounted for on that unit of land.

5. Each Party included in Annex I shall report, in accordance with Article 7, on how harvesting or forest disturbance that is followed by the re-establishment of a forest is distinguished from deforestation. This information will be subject to review in accordance with Article 8.

C. Article 3.4

6. A Party included in Annex I may choose to account for anthropogenic greenhouse gas emissions by sources and removals by sinks resulting from any or all of the following human-induced activities, other than afforestation, reforestation and deforestation, under Article 3.4 in the first commitment period: revegetation, forest management, cropland management, and grazing land management.

7. A Party included in Annex I wishing to account for activities under Article 3.4 shall identify, in its report to enable the establishment of its assigned amount pursuant to Article 3.7 and Article 3.8, the activities under Article 3.4 which it elects to include in its accounting for the first commitment period. Upon election, a decision by a Party will be fixed for the first commitment period.

8. During the first commitment period, a Party included in Annex I that selects any or all of the activities mentioned in paragraph 6 above shall demonstrate that such activities have occurred since 1990 and are human-induced. A Party included in Annex I shall not account for emissions by sources and removals by sinks resulting from activities under Article 3.4, if these are already accounted for under Article 3.3.

9. For the first commitment period, accountable anthropogenic greenhouse gas emissions by sources and removals by sinks resulting from cropland management, grazing land management and revegetation under Article 3.4, shall be equal to anthropogenic greenhouse gas emissions by

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[3] 'Debits': where emissions are larger than removals on a unit of land.

[4] 'Credits': where removals are larger than emissions on a unit of land.

sources and removals by sinks in the commitment period, less five times the anthropogenic greenhouse gas emissions by sources and removals by sinks resulting from these eligible activities in the base year of that Party, while avoiding double accounting.

10. For the first commitment period, a Party included in Annex I that incurs a net source of emissions under the provisions of Article 3.3 may account for anthropogenic greenhouse gas emissions by sources and removals by sinks in areas under forest management under Article 3.4, up to a level that is equal to the net source of emissions under the provisions of Article 3.3, but not greater than [8.2] megatons of carbon times five, if the total anthropogenic greenhouse gas emissions by sources and removals by sinks in the managed forest since 1990 is equal to, or larger than, the net source of emissions incurred under Article 3.3.

11. For the first commitment period only, additions to and subtractions from the assigned amount of a Party[5] resulting from forest management under Article 3.4, after the application of paragraph 10 above and resulting from forest management project activities undertaken under Article 6, shall not exceed the value inscribed in the appendix[6] to this decision, times five.

12. A Party may request the Conference of the Parties to reconsider its numerical values as contained in paragraph 10 and in the appendix to paragraph 11, with a view to the Conference of the Parties recommending a decision for adoption to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, no later than 2 years prior to the beginning of the first commitment period.[7] Such a reconsideration shall be based upon country-specific data and the elements of guidance and consideration in footnote 6 to paragraph 11. These shall be submitted and reviewed in accordance with relevant decisions related to Articles 5, 7 and 8 of the Kyoto Protocol, and in accordance with the *Revised 1996 Intergovernmental Panel on Climate Change Guidelines for National Greenhouse Gas Inventories*, any future elaboration of these guidelines, or parts of them, and any good practice guidance on land use, land-use change and forestry in accordance with the relevant decisions of the Conference of the Parties.

D. Article 12

13. The eligibility of land-use, land-use change and forestry project activities under Article 12 is limited to afforestation and reforestation.

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[5] As will be elaborated in the relevant decision dealing with modalities for the accounting of assigned amounts.

[6] In arriving at the values in the appendix below, the Conference of the Parties was guided by the application of an 85 per cent discount factor to account for the removals identified in paragraph 1(h) in the preamble of decision -/CMP.1 (Land use, land-use change and forestry) and a 3 per cent cap on forest management, using a combination of data provided by Parties and by the Food and Agriculture Organization (FAO). Consideration was also given to national circumstances (including the degree of effort needed to meet Kyoto commitments and the forest management measures implemented). The accounting framework established in this paragraph shall not be construed as establishing any precedent for the second and subsequent commitment periods.

[7] The Russian Federation does not recognize the numerical value in paragraph 10 and the value for the Russian Federation in the appendix to paragraph 11 as final values for it. (See FCCC/CP/2001/CRP.10.)

14. For the first commitment period, the total of additions to a Party's assigned amount resulting from eligible land-use, land-use change and forestry project activities under Article 12 shall not exceed one per cent of base year emissions of that Party, times five.

15. The treatment of land-use, land-use change and forestry project activities under Article 12 in future commitment periods shall be decided as part of the negotiations on the second commitment period.

E. General

16. Each Party included in Annex I shall, for the purposes of applying the definition of "forest" as contained in paragraph 1 (a) above, select a single minimum tree crown cover value between 10 and 30 per cent, a single minimum land area value between 0.05 and 1 hectare and a single minimum tree height value between 2 and 5 metres. The selection of a Party shall be fixed for the duration of the first commitment period. The selection shall be included as an integral part of its report to enable the establishment of its assigned amount pursuant to Article 3.7 and 3.8 in accordance with decision - CP.7, and shall include the values for tree crown cover, tree height and the minimum land area. Each Party shall justify in its reporting that such values are consistent with the information that has historically been reported to the Food and Agriculture Organization of the United Nations or other international bodies, and if they differ, explain why and how such values were chosen.

17. For the first commitment period, and subject to other provisions in this annex, the additions to and subtractions from the assigned amount of a Party pursuant to Article 3.7 and 3.8 shall be equal to anthropogenic greenhouse gas emissions by sources and removals by sinks measured as verifiable changes in carbon stocks, and non-carbon dioxide greenhouse gas emissions during the period 1 January 2008 to 31 December 2012 resulting from afforestation, reforestation and deforestation under Article 3.3 and forest management under Article 3.4, that have taken place since 1 January 1990. Where the result of this calculation is a net sink of greenhouse gases, this value shall be added to the assigned amount of that Party. Where the result of this calculation is a net source of greenhouse gas emissions, this value shall be subtracted from the assigned amount of that Party.

18. Accounting of anthropogenic greenhouse gas emissions by sources and removals by sinks resulting from land use, land-use change and forestry activities under Article 3.3 and 3.4, shall begin with the onset of the activity or the beginning of the commitment period, whichever comes later.

19. Once land is accounted for under Article 3.3 and 3.4, all anthropogenic greenhouse gas emissions by sources from and removals by sinks on this land must be accounted for throughout subsequent and contiguous commitment periods.

20. National inventory systems under Article 5.1 shall ensure that areas of land subject to land use, land-use change and forestry activities under Article 3.3 and 3.4 are identifiable, and information about these areas should be provided by each Party included in Annex I in their national inventories in accordance with Article 7. Such information will be reviewed in accordance with Article 8.

21. Each Party included in Annex I shall account for all changes in the following carbon pools: above-ground biomass, below-ground biomass, litter, dead wood, and soil organic carbon. A Party may choose not to account for a given pool in a commitment period, if transparent and verifiable information is provided that the pool is not a source.

APPENDIX[8]

Party	Mt C/yr
Australia	0.00
Austria	0.63
Belarus	
Belgium	0.03
Bulgaria	0.37
Canada	12.00
Croatia	
Czech Republic	0.32
Denmark	0.05
Estonia	0.10
Finland	0.16
France	0.88
Germany	1.24
Greece	0.09
Hungary	0.29
Iceland	0.00
Ireland	0.05
Italy	0.18
Japan	13.00
Latvia	0.34
Liechtenstein	0.01
Lithuania	0.28
Luxembourg	0.01
Monaco	0.00
Netherlands	0.01
New Zealand	0.20
Norway	0.40
Poland	0.82
Portugal	0.22
Romania	1.10
Russian Federation	17.63
Slovakia	0.50
Slovenia	0.36
Spain	0.67
Sweden	0.58
Switzerland	0.50
Ukraine	1.11
United Kingdom of Great Britain and Northern Ireland	0.37

[8] The list of countries in this table differs from that found in decision 5/CP.6 as a result of consultations undertaken during the session.

II. WORK PROGRAMME ON MECHANISMS (DECISIONS 7/CP.4 AND 14/CP.4)

Note

The following text[9] represents work in progress as at the end of the second part of the sixth session of the Conference of the Parties. Based on the text contained in document FCCC/CP/2000/5/Add.3 (vol. V), using the consolidated negotiating text on mechanisms proposed by the President (FCCC/CP/2001/2/Add.2) as a tool, and fully taking into account "The Bonn Agreements on the implementation of the Buenos Aires Plan of Action" (decision 5/CP.6). The text also incorporates the results of extensive work in two drafting groups chaired by Mr. José Miguez (Brazil) and Mr. Murray Ward (New Zealand).

In order to allow Parties to be fully aware of the progress made on the work on mechanisms at the end of the second part of the sixth session and to facilitate the smooth continuation of work at the seventh session, the status of the text is marked as follows: agreed text as reflected in decision 5/CP.6 is marked with "+++"; text agreed in drafting groups is marked with "++"; and text partially agreed in drafting groups is marked with "+". Unmarked text is either not agreed or has not yet been considered.

It should be noted that the four draft decisions on mechanisms were not, or at least not in their entirety, taken up by Parties at the second part of the sixth session. Parties wished instead to concentrate on the annexes to the draft decisions during the limited time available. Therefore they also agreed to take up the appendices to the annexes on Articles 6 and 12 only at the seventh session of the Conference of the Parties.

Wherever possible, issues of a cross-cutting nature have been addressed in only one of the draft decisions. Cross-references have been made to trace how such issues have been dealt with.

Regarding appendices A and B to the annex of the decision on Article 6 projects, one group of Parties announced that it would submit a proposal for a miscellaneous document before the seventh session of the Conference of the Parties.

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[9] This text was given restricted distribution at the second part of the sixth session under the symbol FCCC/CP/2001/CRP.11.

Draft decision -/CP.7 (Mechanisms)

Principles, nature and scope of the mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol

The Conference of the Parties,

Recalling its decision 1/CP.3, in particular paragraphs 5 (b), (c) and (e),

Further recalling its decisions 7/CP.4, 8/CP.4, 9/CP.4 and 14/CP.5, as appropriate,

+++ *Reaffirming* the preamble of the Convention,

+++ *Recognizing* that, in using the mechanisms, Parties shall be guided by the objective and principles contained in Articles 2 and 3 and by Article 4, paragraph 7, of the Convention,

+++ *Further recognizing* that the Kyoto Protocol has not created or bestowed any right, title or entitlement to emissions of any kind on Parties included in Annex I,

+++ *Emphasizing* that the Parties included in Annex I shall implement domestic action in accordance with national circumstances and with a view to reducing emissions in a manner conducive to narrowing per capita differences between developed and developing country Parties while working towards achievement of the ultimate objective of the Convention,

+++ *Affirming* that the use of the mechanisms shall be supplemental to domestic action and that domestic action shall thus constitute a significant element of the effort made by each Party included in Annex I to meet its quantified emission limitation and reduction commitments under Article 3, paragraph 1,

Further emphasizing that environmental integrity is to be achieved through sound modalities, rules and guidelines for the mechanisms, strict principles and rules governing land use, land-use change and forestry activities and a strong compliance regime,

Being aware of decisions -/CP.7 (Article 6), -/CP.7 (Article 12), -/CP.7 (Article 17),-/CP.7 (Compliance), -/CP.7 (Land use, land-use change and forestry), and -/CP.7 (Modalities for accounting of assigned amounts),

Recommends that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the following decision.

Draft decision -/CMP.1 (Mechanisms)

Principles, nature and scope of the mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Recalling decision 1/CP.3, in particular paragraphs 5 (b), (c) and (e),

Further recalling decisions 7/CP.4, 8/CP.4, 9/CP.4, 14/CP.5, -/CP.7 (Article 6), -/CP.7 (Article 12), -/CP.7 (Article 17), -/CP.7 (Compliance), -/CP.7 (Land use, land-use change and forestry), and -/CP.7 (Modalities for the accounting of assigned amounts), as appropriate,

+++ *Reaffirming* the preamble of the Convention,

+++ *Recognizing* that, in using the mechanisms, Parties shall be guided by the objective and principles contained in Articles 2 and 3 and by Article 4, paragraph 7, of the Convention,

+++ *Further recognizing* that the Kyoto Protocol has not created or bestowed any right, title or entitlement to emissions of any kind on Parties included in Annex I,

+++ *Emphasizing* that the Parties included in Annex I shall implement domestic action in accordance with national circumstances and with a view to reducing emissions in a manner conducive to narrowing per capita differences between developed and developing country Parties while working towards achievement of the ultimate objective of the Convention,

Further emphasizing that environmental integrity is to be achieved through sound modalities, rules and guidelines for the mechanisms, strict principles and rules governing land use, land-use change and forestry activities, and a strong compliance regime,

Being aware of its decisions -/CMP.1 (Article 6), -/CMP.1 (Article 12), -/CMP.1 (Article 17) and -/CMP.1 (Modalities for accounting of assigned amounts),

1. +++ *Decides* that the use of the mechanisms shall be supplemental to domestic action and that domestic action shall thus constitute a significant element of the effort made by each Party included in Annex I to meet its quantified emission limitation and reduction commitments under Article 3, paragraph 1;

2. +++ *Requests* the Parties included in Annex I to provide relevant information in relation to paragraph1 above in accordance with Article 7 of the Kyoto Protocol, for review under its Article 8;

3. +++ *Decides* that the provision of such information shall take into account reporting on demonstrable progress as contained in decision -/CP.7 (Article 7);

4. +++ *Requests* the facilitative branch of the compliance committee to address questions of implementation with respect to paragraphs 2 to 3. above;

5. +++ *Decides* that the eligibility to participate in the mechanisms by a Party included in Annex I shall be dependent on its compliance with methodological and reporting requirements under Article 5, paragraphs 1 and 2, and Article 7, paragraphs 1 and 4, of the Kyoto Protocol with oversight being provided by the enforcement branch of the compliance committee, in accordance with the relevant provisions. Only Parties that have accepted the agreement on compliance supplementing the Kyoto Protocol shall be entitled to transfer or acquire credits generated by the use of the mechanisms;[10]

6. *Decides* that provisions on the use of the mechanisms shall apply individually to the Parties acting under Article 4;

7. +++ *Decides* that certified emission reductions, emission reduction units and assigned amount units under Articles 6, 12 and 17 may be used to meet commitments under Article 3, paragraph 1, of the Parties included in Annex I, and can be added as provided for in Article 3, paragraphs 10, 11 and 12; and that emission reduction units and assigned amount units can be subtracted as provided for in Article 3, paragraphs 10 and 11, in conformity with the provisions on registries (decision -/CP.7 Modalities for accounting of assigned amount), without altering the quantified emission limitation and reduction commitments inscribed in Annex B to the Kyoto Protocol.

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[10] In order to take into account the final text on procedures and mechanisms relating to compliance (document time-dated 23 July 2001, 10.27 a.m.), the final sentence was proposed to be deleted and to be replaced by the following sentence: "...as well as being subject to the relevant provisions on procedures and mechanisms relating to compliance under the Kyoto Protocol, as referred to in paragraph 8 of section VIII below". "This was done on the responsibility of the secretariat after the conclusion of negotiations on compliance, and an improved text would need to be incorporated in the final decision to be adopted by the Conference of the Parties" (FCCC/CP/2001/CRP.9).

Draft decision -/CP.7 (Article 6)

Guidelines for the implementation of Article 6 of the Kyoto Protocol

The Conference of the Parties,

Being aware of its decisions -/CP.7 (Mechanisms), -/CP.7 (Article 12), -/CP.7 (Article 17), -/CP.7 (Compliance), -/CP.7 (Land use, land-use change and forestry), and -/CP.7 (Modalities for the accounting of assigned amounts),

+++ *Affirming* that it is the host Party's prerogative to confirm whether an Article 6 project activity assists it in achieving sustainable development,

+++ *Recognizing* that Parties included in Annex I are to refrain from using emission reduction units generated from nuclear facilities to meet their commitments under Article 3, paragraph 1,

1. *Urges* the Parties included in Annex II to facilitate the participation in projects under Article 6 of Parties included in Annex I with commitments inscribed in Annex B that are undergoing the process of transition to a market economy; *(FCCC/CP/2000/5/Add.3 (vol. V))*

2. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the following decision. *(FCCC/CP/2000/5/Add.3 (vol. V))*

Draft decision -/CMP.1 (Article 6)

Guidelines for the implementation of Article 6 of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Being aware of its decisions -/CMP.1 (Mechanisms), -/CMP.1 (Article 12), -/CMP.1 (Article 17), -/CMP.1 (Land use, land-use change and forestry), - /CMP.1 (Modalities for accounting of assigned amounts) and -/CMP.1 (Compliance),

1. *Decides* to confirm and give full effect to any actions taken pursuant to decision -/CP.7 (Article 6) and to any other relevant decisions by the Conference of the Parties, as appropriate;

2. *Decides* to adopt the guidelines for the implementation of Article 6 of the Kyoto Protocol contained in the annex below; *(FCCC/CP/2000/5/Add.3 (vol. V))*

3. *Requests* the Subsidiary Body for Scientific and Technological Advice to prepare the appendices to the annex below, taking fully into account work from the executive board of the clean development mechanism, as appropriate, for the consideration of the Conference of the Parties;

4. *Decides* that projects under Article 6 aimed at enhancing anthropogenic removals by sinks shall conform to definitions, accounting rules, modalities and guidelines for Article 3, paragraphs 3 and 4, of the Kyoto Protocol;

5. *Decides* that projects starting as of the year 2000 may be eligible as Article 6 projects and may generate emission reduction units as of the year 2008 if they meet the requirements of the guidelines for the implementation of Article 6 of the Kyoto Protocol as set out in the annex below;

6. *Urges* the Parties included in Annex II to facilitate the participation in Article 6 projects of Parties included in Annex I with commitments inscribed in Annex B that are undergoing the process of transition to a market economy;

7. *Decides* that any administrative costs arising from procedures contained in the annex below shall be borne by the project participants according to specifications to be determined by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

8. *Decides further* that any future revision of the guidelines shall be decided in accordance with the rules of procedure of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, as applied. The first review shall be carried out no later than one year after the end of the first commitment period, based on recommendations by the Subsidiary Body for Implementation drawing on technical advice of the Subsidiary Body for Scientific and Technological Advice, as needed. Further reviews shall be carried out periodically thereafter. Revisions shall not affect ongoing Article 6 projects.

ANNEX

Guidelines for the implementation of Article 6 of the Kyoto Protocol

A. Definitions

1. For the purpose of this annex, the definitions contained in Article 1[11] and the provisions of Article 14 shall apply. Furthermore:

(a) An "emission reduction unit" or "ERU" is a unit [issued][transferred] pursuant to Article 6 and requirements thereunder and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(b) ++ A "certified emission reduction" or "CER" is a unit issued pursuant to Article12 and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(c) *Option 1*: An "assigned amount unit" or "AAU" is a unit issued pursuant to the relevant provisions on registries in decision -/CMP.1 (Modalities for the accounting of assigned amounts), and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

Option 2: A "part of assigned amount" or "PAA" is a unit issued pursuant to Article 17 of the Protocol and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent emissions, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(d) "Stakeholders" means the public, including individuals, groups or communities affected, or likely to be affected, by the project.

B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

2. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) shall provide guidance regarding the implementation of Article 6 and exercise authority over an Article 6 supervisory committee.

C. Article 6 supervisory committee

3. +++ The Article 6 supervisory committee shall be established by the COP/MOP to supervise, *inter alia*, the verification of ERUs generated by Article 6 project activities, referred to in section E below and be responsible for:

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[11] "Article" refers in this annex to an article of the Kyoto Protocol, unless otherwise specified.

(a) ++ Reporting on its activities to each session of the COP/MOP;

(b) ++ The accreditation of independent entities in accordance with standards and procedures contained in Appendix A below;

(c) The elaboration of standards and procedures for the accreditation of independent entities in Appendix A below, for consideration by the COP/MOP, taking fully into account relevant work of the executive board of the clean development mechanism (CDM);[12]

(d) The elaboration of reporting guidelines and criteria for baselines and monitoring in Appendix B below, for consideration by the COP/MOP, taking fully into account relevant work of the executive board of the CDM;[13]

(e) ++The review procedure set out in paragraph 36;

(f) ++The elaboration of its rules of procedure, for consideration by the COP/MOP, taking fully into account those of the executive board of the CDM.

4. The Article 6 supervisory committee shall comprise ten members from Parties to the Kyoto Protocol, as follows:

(a) One member from each of the five United Nations regional groups plus one member to represent the small island developing States;

(b) Two other members from the Parties[14] included in Annex I;

(c) Two other members from the Parties not included in Annex I.[15]

5. Members of the Article 6 supervisory committee shall be nominated by the relevant constituencies referred to in paragraph 4 and be elected by the COP/MOP. The COP/MOP shall elect five members for a term of two years and five members for a term of four years to the Article 6 supervisory committee. Every two years thereafter, the COP/MOP shall elect five new members for a term of four years.

6. Members of the Article 6 supervisory committee may be eligible to serve a maximum of two consecutive terms.

7. The Article 6 supervisory committee shall elect annually a chairperson and vice-chairperson from among its members, with one being from a Party included in Annex I and the other being from a Party not included in Annex I. The positions of chairperson and vice-chairperson shall alternate annually between a member from a Party included in Annex I and a member from a Party not included in Annex I.

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[12] Pending elaboration of appendices to the annex to the decision.

[13] Pending elaboration of appendices to the annex to the decision.

[14] In the context of this annex, "Party" refers to a Party to the Kyoto Protocol, unless otherwise specified.

[15] The composition of the supervisory committee has not yet been discussed.

8. The COP/MOP will elect an alternate member for each member of the Article 6 supervisory committee based on the criteria in paragraphs 4, 5 and 6 above.

9. The Article 6 supervisory committee shall meet at least two times each year, whenever possible in conjunction with the meetings of the subsidiary bodies, unless decided otherwise.

10. ++ Members of the Article 6 supervisory committee shall:

(a) + Serve in their personal capacities and shall have recognized competence relating to climate change issues and in relevant technical and policy fields. The cost of participation of members from developing country Parties shall be covered by the budget for the Article 6 supervisory committee;[16]

(b) ++ Have no pecuniary or financial interest in any aspect of an Article 6 project;

(c) ++ Subject to their responsibility to the Article 6 supervisory committee, not disclose any confidential or proprietary information coming to their knowledge by reason of their duties for the Article 6 supervisory committee. The duty of a member not to disclose confidential information constitutes an obligation in respect to that member and shall remain an obligation after the expiration or termination of that member's function for the Article 6 supervisory committee;

(d) ++ Be bound by the rules of procedure of the Article 6 supervisory committee;

(e) ++ Take a written oath of service witnessed by the Secretary-General of the United Nations or his/her authorized representative before assuming his or her duties.

11. ++ The Article 6 supervisory committee may suspend and recommend to the COP/MOP the termination of the membership of a particular member for cause including, *inter alia*, breach of the conflict of interest provisions, breach of the confidentiality provisions, or failure to attend two consecutive meetings of the Article 6 supervisory committee without proper justification.

12. ++ If a member of the Article 6 supervisory committee resigns or is otherwise unable to complete the assigned term of office or to perform the functions of that office, the Article 6 supervisory committee may decide, bearing in mind the proximity of the next session of the COP/MOP, to appoint another member to replace the said member for the remainder of that member's mandate. In such a case, the Article 6 supervisory committee shall take into account any views expressed by the group that had nominated the member.

13. ++ The Article 6 supervisory committee shall draw on the expertise necessary to perform its functions, in particular taking into account national accreditation procedures.

14. The adoption of decisions by the Article 6 supervisory committee shall require a quorum of at least three fourths of the members.

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[16] The last sentence of this paragraph is inserted on a provisional basis, pending decision on the composition of the Article 6 supervisory committee.

15. Decisions by the Article 6 supervisory committee shall be adopted by consensus. If all efforts at reaching a consensus have been exhausted and no agreement has been reached, decisions shall as a last resort be adopted by a three-fourths majority vote of the members present and voting at the meeting. Members abstaining from voting shall be considered as not voting.

16. ++ The secretariat shall service the Article 6 supervisory committee.

D. Participation requirements

17. ++ A Party involved in an Article 6 project shall inform the secretariat of:

(a) ++ Its designated focal point for approving projects pursuant to Article 6, paragraph 1 (a);

(b) ++ Its national guidelines and procedures for approving Article 6 projects, including the consideration of stakeholders' comments, as well as monitoring and verification.

18. ++ Subject to the provisions of paragraph 19 below, a Party included in Annex I with a commitment inscribed in Annex B may transfer and acquire ERUs, issued in accordance with the relevant provisions, if it is in compliance with the following eligibility requirements:

(a) ++ It is a Party to the Kyoto Protocol;

(b) It [has accepted the agreement on][is subject to the relevant provisions on][*some other acceptable formulation*] procedures and mechanisms on compliance under the Kyoto Protocol;

(c) ++ It has established its assigned amount pursuant to Article 3, paragraphs 7 and 8, in accordance with the modalities for the accounting of assigned amount under Article 7, paragraph 4;

(d) ++ It has in place a national system for the estimation of anthropogenic emissions by sources and anthropogenic removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5, paragraph 1, and the requirements in the guidelines decided thereunder;

(e) ++ It has in place a national registry in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder;

(f) + It has submitted the most recent available annual inventory, and continues to submit its annual inventories, in accordance with Article 5, paragraph 2, and Article 7, paragraph 1, and the requirements in the guidelines decided thereunder pertaining to emissions of greenhouse gases from sectors/source categories from Annex A of the Kyoto Protocol;[17]

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[17] Some Parties believe this requirement may not be appropriate, while others believe that it may be elaborated in the decision on guidelines under Article 7 and possibly referred to here as well.

(g) It submits the supplementary information on assigned amount in accordance with Article 7, paragraph 1, and the requirements in the guidelines decided thereunder and makes any additions to, and subtractions from, assigned amount pursuant to Article 3, paragraphs 7 and 8, including for the activities under Article 3, paragraphs 3 and 4, in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder;[18]

(h) It maintains its commitment period reserve in accordance with paragraphs 6 to 9 in the annex to draft decision -/CP.7 (Article 17).[19]

19. ++ A Party included in Annex I with a commitment inscribed in Annex B shall be considered to:

(a) + Meet the eligibility requirements referred to in paragraph 18 above after 16[20] months have elapsed since the submission of its report to facilitate the establishment of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to demonstrate its capacity to account for its emissions and assigned amount, in accordance with the modalities adopted for the accounting of assigned amount under Article 7, paragraph 4, unless the enforcement branch of the compliance committee finds, in accordance with decision -/CP.7 (Compliance), that the Party does not meet these requirements, or, at an earlier date, if the enforcement branch of the compliance committee has decided that it is not proceeding with any questions of implementation relating to these requirements indicated in reports of the expert review teams under Article 8 of the Kyoto Protocol, and has transmitted this information to the secretariat;

(b) ++ Continue to meet the eligibility requirements referred to in paragraph 18 above unless and until the enforcement branch of the compliance committee decides that the Party does not meet one or more of the eligibility requirements, has suspended the Party's eligibility, and has transmitted this information to the secretariat.

20. ++ Where it is considered to meet the eligibility requirements set out in paragraph 18 above, a host Party may verify reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks from an Article 6 project as being additional to any that would otherwise occur, in accordance with Article 6, paragraph 1 (b). Upon such verification, the host Party may issue the appropriate quantity of ERUs in accordance with the relevant provisions of decision -/CMP.1 (Modalities for the accounting of assigned amounts).

21. + Where a host Party does not meet the eligibility requirements set out in paragraph 18 above, the verification of reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks from an Article 6 project as being additional to any that would otherwise occur, in accordance with Article 6, paragraph 1 (b), shall occur through the

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[18] Some Parties believe this requirement may not be appropriate, while others believe that it may be elaborated in the decision on guidelines under Article 7 and possibly referred to here as well.

[19] Some Parties view this as important. Important linkages exist to registries under Article 7.4. Some Parties considered this to be both redundant and problematic.

[20] Some Parties think that 12 months are sufficient to allow the Article 8 expert review teams and the compliance committee a reasonable opportunity to identify and rule upon any problems.

verification procedure under the Article supervisory committee, as set out in section E below. The host Party may however only issue and transfer ERUs upon meeting the requirements in paragraphs 18 (a) to (c) and 18 (e) above.[21] [22]

22. ++ A host Party which meets the requirements in paragraph 18 above may at any time elect to use the verification procedure under the Article 6 supervisory committee.

23. ++ The provisions in Article 6, paragraph 4, shall pertain, *inter alia*, to the requirements of paragraph 18 above.

24. ++ The secretariat shall maintain a publicly accessible list of Parties that meet the eligibility requirements and that have been suspended in accordance with relevant provisions contained in decision -/CP.7 (Compliance).

25. ++ A Party hosting an Article 6 project shall make publicly available, directly or through the secretariat, information on the project in accordance with the reporting guidelines set out in Appendix B below and the requirements contained in decision -/CMP.1 (Modalities for the accounting of assigned amounts).

26. ++ A Party that authorizes legal entities to participate in Article 6 projects shall remain responsible for the fulfilment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with this annex. Legal entities may only participate in those activities under Article 6 in which the authorizing Party is eligible to participate at that time.

E. Verification procedure under the Article 6 supervisory committee

27. ++ The verification procedure under the Article 6 supervisory committee is the determination by an independent entity, accredited pursuant to Appendix A below, of whether a project and the ensuing reductions of anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks meet the relevant requirements of Article 6 and these guidelines.

28. ++ Project participants shall submit to an accredited independent entity a project design document that contains all information needed for the determination of whether the project:

(a) ++ Has been approved by the Parties involved;

(b) ++ Would result in a reduction of anthropogenic emissions by sources or an enhancement of anthropogenic removals by sinks that is additional to any that would otherwise occur; and

(c) ++ Has an appropriate baseline and monitoring plan in accordance with the criteria set out in Appendix B below.

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[21] Some Parties prefer to delete this sentence.

[22] The Group of 77 and China supports track two in principle. The Group is developing its position on how track-two is elaborated in these guidelines in order to ensure that reductions are additional and other requirements are in conformity with Article 6.

29. ++ The accredited independent entity shall make the project design document publicly available through the secretariat, subject to confidentiality provisions set out in paragraph 37 below, and receive comments from Parties, stakeholders and UNFCCC accredited observers on the project design document and any supporting information for 30 days from the date the project design document is made publicly available.

30. ++ The accredited independent entity shall determine whether:

(a) ++ The project has been approved by the Parties involved;

(b) ++ The project would result in a reduction of anthropogenic emissions by sources or an enhancement of anthropogenic removals by sinks that is additional to any that would otherwise occur;

(c) ++ The project has an appropriate baseline and monitoring plan in accordance with the criteria set out in Appendix B below; and

(d) Project participants have submitted to the designated operational entity documentation on the analysis of the environmental impacts of the project activity, including transboundary impacts and, if those impacts are considered significant by the project participants or the host Party, have undertaken an environmental impact assessment in accordance with procedures as required by the host Party.[23]

31. ++ The accredited independent entity shall make its determination publicly available through the secretariat, together with an explanation of its reasons, including a summary of comments received and a report of how due account was taken of these.

32. + The determination regarding a project design document shall be deemed final 60[24] days after the date on which the determination is made public, unless a Party involved in the project or one fourth of the members of the Article 6 supervisory committee[25] request a review by the Article 6 supervisory committee. If such a review is requested, the Article 6 supervisory committee shall finalize the review as soon as possible, but no later than at the second meeting following the request for review.[26] The Article 6 supervisory committee shall communicate its decision on the determination and the reasons for it to the project participants and the public. Its decision shall be final.

33. ++ Project participants shall submit to an accredited independent entity a report in accordance with the monitoring plan on reductions in anthropogenic emissions by sources or

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[23] Some Parties do not believe this requirement to be necessary; others who do, also noted other possible linkages if this was removed.

[24] Some Parties propose 30 days.

[25] Some Parties believe that, depending on composition, this might need to be at least one half of the members.

[26] Some Parties prefer this to be specified in days rather than number of meetings.

enhancements of anthropogenic removals by sinks that have already occurred. The report shall be made publicly available.

34. ++ The accredited independent entity shall, upon receipt of a report referred to under paragraph 33, make a determination of the reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks reported by project participants in accordance with Appendix B below, provided that they were monitored and calculated in accordance with paragraph 30.

35. ++ The accredited independent entity shall make its determination under paragraph 34 publicly available through the secretariat, together with an explanation of its reasons.

36. + The determination regarding reported reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks shall be deemed final 15 days after the date on which it is made public, unless a Party involved in the project or one fourth[27] of the members of the Article 6 supervisory committee request a review by the Article 6 supervisory committee. If such a review is requested, the Article 6 supervisory committee shall:

(a) + At its next meeting[28] decide on its course of action. If it decides that the request has merit it shall perform a review;

(b) ++ Complete its review within 30 days following its decision to perform the review;

(c) ++ Inform the project participants of the outcome of the review, and make public its decision and the reasons for it.

37. + Information obtained from project participants marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law.[29] Information used to determine whether reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks are additional, to describe the baseline methodology and its application, and to support an environmental impact assessment shall not be considered as proprietary or confidential.

38. Any provisions relating to the commitment period reserve or other limitations to transfers under Article 17 shall not apply to transfers by a Party of ERUs issued into its national registry that were verified in accordance with the verification procedure under the Article 6 supervisory committee.

39. The Article 6 supervisory committee may suspend or withdraw the accreditation of an independent entity if it has carried out a review and found that the entity no longer meets the

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[27] Some Parties believe that, depending on composition, this might need to be at least one half of the members.

[28] Some Parties prefer this to be specified in days rather than number of meetings.

[29] Further thoughts may be required, e.g. whose national law is to be applied?

accreditation standards laid down in Appendix A. The Article 6 supervisory committee may suspend or withdraw accreditation only after the accredited independent entity has had the possibility of a hearing. The suspension or withdrawal is with immediate effect. The affected entity shall be notified, immediately and in writing, once the Article 6 supervisory committee has decided upon its suspension or withdrawal. The decision by the Article 6 supervisory committee on such a case shall be made public.

40. Verified projects shall not be affected by the suspension or withdrawal of the accreditation of an accredited independent entity unless significant deficiencies are identified in the determination referred in paragraph 34 above for which the entity was responsible. In this case, the Article 6 supervisory committee shall decide whether a different accredited independent entity shall be appointed to assess and, where appropriate correct, such deficiencies. Any costs related to this assessment shall be borne by the accredited independent entity whose accreditation has been withdrawn or suspended. If excess ERUs have been transferred as a result of the deficiencies identified in the determination referred in paragraph 34 the independent entities shall acquire an equivalent amount of AAUs, ERUs and/or CERs, within 30 days from the assessment mentioned above, and place them in a cancellation account of the Party hosting the project.[30]

41. Any suspension or withdrawal of an accredited independent entity that adversely affects verified projects shall be decided on by the Article 6 supervisory committee only after the affected project participants have had the possibility of a hearing.

APPENDIX A

Standards and procedures for the accreditation of independent entities

{Note: The European Union has proposed text for this appendix in the context of the working group on mechanisms at the second part of the sixth session of the Conference. This text has not been negotiated by Parties and does not appear here. It will be made available in a miscellaneous document for consideration at the seventh session of the Conference.}

APPENDIX B

Reporting guidelines and criteria for baselines, monitoring and crediting periods

{Note: The European Union has proposed text for this appendix in the context of the working group on mechanisms at the second part of the sixth session of the Conference. This text has not been negotiated by Parties and does not appear here. It will be made available in a miscellaneous document for consideration at the seventh session of the Conference.}

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[30] A similar provision appears in the CDM text. In regard to the last sentence of this paragraph, differences between the CDM and Article 6 may be relevant.

Draft decision -/CP.7 (Article 12)

Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol

The Conference of the Parties,

Recalling that in Article 12 of the Kyoto Protocol a clean development mechanism is defined with the purpose to assist Parties not included in Annex I to the Convention in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3 of the Kyoto Protocol,
(FCCC/CP/2000/5/Add.3 (vol. V))

Being aware of its decisions -/CP.7 (Mechanisms) and -/CP.7 (Land use, land-use change and forestry),

+++ *Affirming* that it is the host Party's prerogative to confirm whether a clean development mechanism project activity assists it in achieving sustainable development,

+++ *Recognizing* that Parties included in Annex I are to refrain from using certified emission reductions generated from nuclear facilities to meet their commitments under Article 3, paragraph 1,

Bearing in mind the need to promote equitable geographic distribution of clean development mechanism project activities at regional and subregional levels,

+++ *Emphasizing* that public funding for clean development mechanism projects from Parties in Annex I is not to result in the diversion of official development assistance and is to be separate from and not counted towards the financial obligations of Parties included in Annex I,

Emphasizing that clean development mechanism project activities shall lead to the transfer of environmentally safe and sound technology in addition to that required under Article 4, paragraph 5, of the Convention and Article 10 of the Kyoto Protocol,

Recognizing the need for guidance to project participants and designated operational entities, in particular for establishing reliable, transparent baselines to assess whether clean development mechanism project activities are in accordance with the additionality criterion in Article 12, paragraph 5 (c), of the Kyoto Protocol, and whether similar projects are being implemented which would meet the technological and investment needs pursuant to the sustainable development priorities of the host Party,

1. *Decides* to facilitate a prompt start for a clean development mechanism by adopting the modalities and procedures contained in the annex below;

2. *Decides* that, for the purposes of this decision, the Conference of the Parties shall assume the responsibilities of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol as set out in the annex below on modalities and procedures, until the decision referred to in paragraph 15 is adopted by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

3. *Decides* that this decision shall remain in effect until the decision referred to in paragraph 15 is adopted by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

4. +++ *Invites* nominations for membership in the executive board:

(a) +++ For facilitating the prompt start of the clean development mechanism, from signatories to the Kyoto Protocol, to be submitted to the President of the Conference of the Parties prior to its seventh session, with a view to the Conference of the Parties electing the members of the executive board at that session;

(b) Upon entry into force of the Kyoto Protocol, from Parties to the Kyoto Protocol, to be submitted to the President of the Conference of the Parties, prior to the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, with a view to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol electing the members of the executive board at that session, in accordance with the modalities and procedures in the annex below;

5. *Decides* that, prior to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol adopting the decision referred to in paragraph 15, the executive board and any designated operational entities shall operate in the same manner as the executive board and designated operational entities of the clean development mechanism as set out in the annex below;

6. *Decides* that the executive board shall convene its first meeting immediately upon the election of its members;

7. *Decides* that the executive board shall include in its workplan until the eighth session of the Conference of the Parties, *inter alia*, the following tasks:

(a) Develop and agree on its rules of procedure and recommend them to the Conference of the Parties for adoption, applying draft rules until then;

(b) Accredit operational entities and designate them, on a provisional basis, pending the designation by the Conference of the Parties at its eighth session;

(c) +++ Develop and recommend to the Conference of the Parties, at its eighth session, simplified modalities and procedures for the following small-scale clean development mechanism project activities:

(i) +++ Renewable energy project activities with a maximum output capacity equivalent of up to 15 megawatts (or an appropriate equivalent);

(ii) +++ Energy efficiency improvement project activities which reduce energy consumption, on the supply and/or demand side, by up to the equivalent of 15 gigawatthours per year;

(iii) +++ Other project activities that both reduce anthropogenic emissions by sources and that directly emit less than 15 kilotonnes of carbon dioxide equivalent annually;

(d) Prepare recommendations on any relevant matter, including on Appendix C to the annex below, for consideration by the Conference of the Parties at its eighth session;

(e) Identify modalities for seeking collaboration with the Subsidiary Body for Scientific and Technological Advice on methodological and scientific issues;

{Note: Relevant paragraphs on definitions and modalities for including afforestation and reforestation project activities under the CDM are to be incorporated in this text (from decision -/CP.7 (Land use, land-use change and forestry)).}

8. *Decides* that projects starting as of the year 2000 may be eligible for validation and registration as clean development mechanism project activities and may obtain certified emission reductions as of the date of adoption of this decision if they meet the requirements of modalities and procedures as set out in the annex below;

9. *Requests* Parties included in Annex I to start implementing measures to assist Parties not included in Annex I, in particular the least developed and small island developing States among them, with building capacity in order to facilitate their participation in the clean development mechanism, taking into account relevant decisions by the Conference of the Parties on capacity-building and on the financial mechanism of the Convention; *(FCCC/CP/2000/5/Add.3 (vol. V))*

10. *Decides* that:

(a) +++ The share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation, as referred to in Article 12, paragraph 8, of the Kyoto Protocol, shall be two per cent of the certified emission reductions issued for a clean development mechanism project activity;

(b) CDM project activities in least developed country Parties shall be exempt from the share of proceeds to assist with the costs of adaptation;

11. *Decides* that the level of the share of proceeds to cover administrative expenses of the clean development mechanism shall be determined by the Conference of the Parties upon the recommendation of the executive board;

12. *Invites* Parties to finance the administrative expenses for operating the clean development mechanism by making contributions to the UNFCCC Trust fund for supplementary activities. Such contributions shall be reimbursed, if requested, in accordance with procedures and a timetable to be determined by the Conference of the Parties upon the recommendation of the executive board. Until the Conference of the Parties determines a percentage for the share of

proceeds for the administrative expenses, the executive board shall charge a fee to recover any project related expenses;

13. *Requests* the secretariat to perform any functions assigned to it in this decision and the annex below; *(FCCC/CP/2000/5/Add.3 (vol. V)*

14. *Decides*, until and unless the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol has adopted the decision referred to in paragraph 15, to assess progress made regarding the clean development mechanism and to take appropriate action, as necessary. Any revision of the decision shall not affect clean development mechanism project activities already registered;

15. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the following decision. *(FCCC/CP/2000/5/Add.3 (vol. V))*

Draft decision -/CMP.1 (Article 12)

Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Recalling the provisions of Articles 3 and 12 of the Kyoto Protocol,

Bearing in mind that, in accordance with Article 12, the purpose of the clean development mechanism is to assist Parties not included in Annex I to the Convention in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3 of the Kyoto Protocol, *(FCCC/CP/2000/5/Add.3 (vol. V))*

Being aware of its decisions -/CMP.1 (Mechanisms), -/CMP.1 (Article 6), -/CMP.1 (Article 17), -/CMP.1 (Land use, land-use change and forestry), -/CMP.1 (Modalities for accounting of assigned amounts) and -/CMP.1 (Compliance),

Cognizant of decision -/CP.7 on modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol,

1. *Decides* to confirm and give full effect to any actions taken pursuant to decision -/CP.7 (Article 12) *(FCCC/CP/2000/5/Add.3 (vol. V))* and to any other relevant decisions by the Conference of the Parties, as appropriate;

2. *Adopts* the modalities and procedures for a clean development mechanism contained in the annex below;

3. +++ *Invites* the executive board to review the simplified modalities, procedures and the definition of small scale project activities referred to in paragraph 7 (c) of decision -/CP.7

(Article 12) and, if necessary, make appropriate recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

4. *Decides* further that any future revision of the modalities and procedures for a clean development mechanism shall be decided in accordance with the rules of procedure of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, as applied. The first review shall be carried out no later than one year after the end of the first commitment period, based on recommendations by the Subsidiary Body for Implementation drawing on technical advice by the Subsidiary Body for Scientific and Technological Advice, as needed. Further reviews shall be carried out periodically thereafter. Any revision of the decision shall not affect clean development mechanism project activities already registered.

ANNEX

Modalities and procedures for a clean development mechanism

A. Definitions

1. For the purpose of this annex, the definitions contained in Article 1[31] and the provisions in Article 14 shall apply. Furthermore:

(a) An "emission reduction unit" or "ERU" is a unit [issued][transferred] pursuant to Article 6 and requirements thereunder and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(b) ++ A "certified emission reduction" or "CER" is a unit issued pursuant to Article 12 and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5; *(FCCC/CP/2000/5/Add.3 (vol. V))*

(c) *Option 1*: An "assigned amount unit" or "AAU" is a unit issued pursuant to the relevant provisions on registries in decision -/CMP.1 (Modalities for the accounting of assigned amounts), and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

Option 2: A "part of assigned amount" or "PAA" is a unit issued pursuant to Article 17 of the Protocol and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent emissions, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(d) ++ "Stakeholders" means the public, including individuals, groups or communities affected, or likely to be affected, by the proposed clean development mechanism project activity.

B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

2. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) shall have authority over and provide guidance to the clean development mechanism (CDM). *(FCCC/CP/2000/5/Add.3 (vol. V))*

3. The COP/MOP shall consider the annual reports of, and provide guidance to, the executive board, by taking decisions on: *(FCCC/CP/2000/5/Add.3 (vol. V))*

(a) The rules of procedure for the executive board; *(FCCC/CP/2000/5/Add.3 (vol. V))*

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[31] "Article" refers in this annex to an article of the Kyoto Protocol, unless otherwise specified.

(b) The recommendations made by the executive board, in accordance with provisions of decision -/CP.7 (Article 12) and this annex; *(FCCC/CP/2000/5/Add.3 (vol. V))*

(c) The designation of operational entities accredited by the executive board in accordance with Article 12, paragraph 5, and accreditation standards contained in Appendix A below.

4. The COP/MOP shall further:

(a) Review the regional and subregional distribution of designated operational entities and take appropriate decisions to promote accreditation of such entities from developing country Parties; *(FCCC/CP/2000/5/Add.3 (vol. V))*

(b) Review the regional and subregional distribution of CDM project activities with a view to identifying systematic barriers to their equitable distribution and take appropriate decisions, based, *inter alia*, on a report by the executive board;

(c) Assist in arranging funding of CDM project activities, as necessary. *(FCCC/CP/2000/5/Add.3 (vol. V))*

C. Executive board

5. The executive board shall supervise the CDM, under the authority and guidance of the COP/MOP, and be fully accountable to the COP/MOP. In this context, the executive board shall:

(a) Make recommendations to the COP/MOP on the rules of procedure for the executive board;

(b) Report on its activities to each session of the COP/MOP; *(FCCC/CP/2000/5/Add.3 (vol. V))*

(c) Make recommendations to the COP/MOP on further modalities and procedures for the CDM, as appropriate;

(d) ++ Review provisions with regard to simplified modalities, procedures and the definitions of small scale project activities and make recommendations to the COP/MOP;

(e) Be responsible for the accreditation of operational entities *(FCCC/CP/2000/5/Add.3 (vol. V))*, in accordance with accreditation standards contained in Appendix A below, and make recommendations to the COP/MOP for the designation of operational entities, in accordance with Article 12, paragraph 5;

(f) Review and revise the accreditation standards in Appendix A below *(FCCC/CP/2000/5/Add.3 (vol. V))*, as appropriate;

(g) Report to the COP/MOP on the regional and subregional distribution of CDM project activities with a view to identifying systematic barriers to their equitable distribution; *(FCCC/CP/2000/5/Add.3 (vol. V))*

(h) Make publicly available relevant information, submitted to it for this purpose, on proposed CDM project activities in need of funding and on investors seeking opportunities, in order to assist in arranging funding of CDM project activities, as necessary; *(FCCC/CP/2000/5/Add.3 (vol. V))*

(i) Approve new methodologies and guidelines related to, *inter alia*, baselines, monitoring plans and project boundaries in accordance with the provisions of Appendix C below;

(j) Maintain and make publicly available a repository of approved rules, procedures, methodologies and standards;

(k) Develop and maintain the CDM registry as defined in Appendix D below;

(l) Develop and maintain a publicly available database of CDM project activities *(FCCC/CP/2000/5/Add.3 (vol. V))* containing information on registered project design documents, comments received, verification reports, its decisions as well as on all CERs issued;

(m) Address issues related to the adherence to the modalities and procedures for a CDM in this annex, except for those in paragraphs 30 and 31;

(n) Carry out any other functions ascribed to it in decision -/CP.7 (Article 12), the present annex and relevant decisions of the COP/MOP.

6. ++ Information obtained from CDM project participants marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 41 below, to describe the baseline methodology and its application and to support an environmental impact assessment referred to in paragraph 35 (c) below shall not be considered as proprietary or confidential.

7. +++ The executive board shall comprise ten members from Parties to the Kyoto Protocol, as follows: one member from each of the five United Nations regional groups; two other members from the Parties included in Annex I; two other members from the Parties not included in Annex I; and one representative of the small island developing States, taking into account the current practice in the Bureau of the Conference of the Parties.

8. Members of the executive board shall:

(a) Be nominated by the relevant constituencies referred to in paragraph 7 above and elected by the COP/MOP. Vacancies shall be filled in the same way;

(b) + e elected for a period of two years and be eligible to serve a maximum of two consecutive terms. Five members shall be elected initially for a term of three years and five members for a term of two years. Every year thereafter, the COP/MOP shall elect five new members for a term of two years. Appointment pursuant to paragraph 10 below shall count as one term. The members shall remain in office until their successors are elected;

(c) Possess appropriate technical and/or policy expertise and shall act in their personal capacity. The cost of participation of members from developing country Parties shall be covered by the budget for the executive board;

(d) Be bound by the rules of procedure of the executive board;

(e) Take a written oath of service witnessed by the Secretary-General of the United Nations or his/her authorized representative before assuming his or her duties;

(f) Have no pecuniary or financial interest in any aspect of a CDM project activity; *(FCCC/CP/2000/5/Add.3 (vol. V))*

(g) Subject to their responsibilities to the executive board, not disclose any confidential or proprietary information coming to their knowledge by reason of their duties for the executive board. The duty of the member not to disclose confidential information constitutes an obligation in respect of that member and shall remain an obligation after the expiration or termination of that member's function for the executive board. *(FCCC/CP/2000/5/Add.3 (vol. V))*

9. The executive board may suspend and recommend to the COP/MOP the termination of the membership of a particular member for cause including, *inter alia*, breach of the conflict of interest provisions, breach of the confidentiality provisions, or failure to attend two consecutive meetings of the executive board without proper justification. *(FCCC/CP/2000/5/Add.3 (vol. V))*

10. If a member of the executive board resigns or is otherwise unable to complete the assigned term of office or to perform the functions of that office, the executive board may decide, bearing in mind the proximity of the next session of the COP/MOP, to appoint another member to replace the said member for the remainder of that member's mandate. In such a case, the executive board shall take into account any views expressed by the group that had nominated the member. *(FCCC/CP/2000/5/Add.3 (vol. V))*

11. The executive board shall elect its own chair and vice-chair, with one being a member from a Party included in Annex I and the other being from a Party not included in Annex I. The positions of chair and vice-chair shall alternate annually between members from Parties included in Annex I and Parties not included in Annex I, respectively.

12. The executive board shall meet as necessary but no less than three times a year *(FCCC/CP/2000/5/Add.3 (vol. V))*, unless otherwise decided, bearing in mind the provisions of paragraph 39.

13. At least two thirds of the members of the executive board, representing a majority of members from Parties included in Annex I and a majority of members from Parties not included in Annex I, must be present to constitute a quorum. *(FCCC/CP/2000/5/Add.3 (vol. V))*

14. Decisions by the executive board shall be taken by consensus *(FCCC/CP/2000/5/Add.3 (vol. V))*, whenever possible. If all efforts at reaching a consensus have been exhausted, and no agreement reached, decisions shall be taken by a three fourths majority of the members present and voting at the meeting. Members abstaining from voting shall be considered as not voting.

15. Meetings of the executive board shall be open to attendance, as observers, by all Parties and by all UNFCCC accredited observers except where otherwise decided by the executive board.

16. The full text of all decisions of the executive board shall be made publicly available. The working language of the executive board shall be English. Decisions shall be made available in all six official languages of the United Nations. *(FCCC/CP/2000/5/Add.3 (vol. V))*

17. The executive board may establish committees, panels or working groups to assist in the performance of its functions. The executive board shall draw on the expertise necessary to perform its functions, including from the UNFCCC roster of experts. In this context, it shall take fully into account the consideration of regional balance. *(FCCC/CP/2000/5/Add.3 (vol. V))*

18. The secretariat shall service the executive board.

D. Accreditation and designation of operational entities

19. ++ The executive board shall:

(a) ++ Accredit operational entities which meet the accreditation standards contained in Appendix A below;

(b) ++ Recommend the designation of operational entities to the COP/MOP;

(c) ++ Maintain a publicly available list of all designated operational entities;

(d) ++ Review whether each designated operational entity continues to comply with the accreditation standards contained in Appendix A below and on this basis confirm whether to reaccredit each operational entity every three years;

(e) ++ Conduct spot-checking at any time and, on the basis of the results, decide to conduct the above-mentioned review, if warranted.

20. ++ The executive board may recommend to the COP/MOP to suspend or withdraw the designation of a designated operational entity if it has carried out a review and found that the entity no longer meets the accreditation standards or applicable provisions in decisions of the COP/MOP. The executive board may recommend the suspension or withdrawal of designation only after the designated operational entity has had the possibility of a hearing. The suspension or withdrawal is with immediate effect, on a provisional basis, once the executive board has made a recommendation, and remains in effect pending a final decision by the COP/MOP. The affected entity shall be notified, immediately and in writing, once the executive board has recommended its suspension or withdrawal. The recommendation by the executive board and the decision by the COP/MOP on such a case shall be made public.

21. ++ Registered project activities shall not be affected by the suspension or withdrawal of designation of a designated operational entity unless significant deficiencies are identified in the relevant validation report, verification report or certification for which the entity was responsible. In this case, the executive board shall decide whether a different designated operational entity shall be appointed to review, and where appropriate correct, such deficiencies. If such a review

reveals that excess CERs were issued, the designated operational entity whose accreditation has been withdrawn or suspended shall acquire and transfer, within 30 days of the review, an amount of reduced tonnes of CO_2 equivalent equal to the excess CERs issued, as determined by the executive board, to a cancellation account maintained in the CDM registry by the executive board.

22. ++ Any suspension or withdrawal of a designated operational entity that adversely affects registered project activities shall be recommended by the executive board only after the affected project participants have had the possibility of a hearing.

23. ++ Any costs related to the review, referred to in paragraph 21 above, shall be borne by the designated operational entity whose designation has been withdrawn or suspended.

24. ++ The executive board may seek assistance in performing the functions in paragraph 19 above, in accordance with the provisions of paragraph 17 above.

E. Designated operational entities

25. ++ Designated operational entities shall be accountable to the COP/MOP through the executive board and shall comply with the modalities and procedures in decision -/CP.7 (Article 12) and the present annex, and relevant decisions of the COP/MOP and the executive board.

26. ++ A designated operational entity shall:

(a) ++ Validate proposed CDM project activities;

(b) ++ Verify and certify reductions in anthropogenic emissions by sources of greenhouse gases;

(c) ++ Comply with applicable laws of the Parties hosting CDM project activities when carrying out its functions referred to in subparagraph 26 (e) below;

(d) ++ Demonstrate that it, and its subcontractors, have no real or potential conflict of interest with the participants in the CDM project activities for which it has been selected to carry out validation or verification and certification functions;

(e) ++ Perform one of the following functions related to a given CDM project activity: validation or verification and certification. Upon request, the executive board may, however, allow a single designated operational entity to perform all these functions within a single CDM project activity;

(f) ++ Maintain a publicly available list of all CDM project activities for which it has carried out validation, verification and certification;

(g) ++ Submit an annual activity report to the executive board;

(h) ++ Make information obtained from CDM project participants publicly available, as required by the executive board. Information marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law. Information used to determine additionality as defined in paragraph 41 below, to

describe the baseline methodology and its application and to support an environmental impact assessment referred to in paragraph 35 (c) below shall not be considered as proprietary or confidential.

F. Participation requirements

27. Participation in a CDM project activity is voluntary. *(FCCC/CP/2000/5/Add.3 (vol. V))*

28. Parties participating in the CDM shall designate a national authority for the CDM. *(FCCC/CP/2000/5/Add.3 (vol. V))*

29. A Party not included in Annex I may participate in a CDM project activity if it is a Party to the Kyoto Protocol. *(FCCC/CP/2000/5/Add.3 (vol. V))*

30. + Subject to the provisions of paragraph 31 below, a Party included in Annex I with a commitment inscribed in Annex B may use CERs, issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the following eligibility requirements:

(a) ++ It is a Party to the Kyoto Protocol;

(b) It [has accepted the agreement on][is subject to the relevant provisions on][*some other acceptable formulation*] procedures and mechanisms on compliance under the Kyoto Protocol;

(c) ++ It has established its assigned amount pursuant to Article 3, paragraphs 7 and 8, in accordance with the modalities for the accounting of assigned amount under Article 7, paragraph 4;

(d) ++ It has in place a national system for the estimation of anthropogenic emissions by sources and anthropogenic removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5, paragraph 1, and the requirements in the guidelines decided thereunder;

(e) ++ It has in place a national registry in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder;

(f) + It has submitted the most recent available annual inventory, and continues to submit its annual inventories, in accordance with Article 5, paragraph 2, and Article 7, paragraph 1, and the requirements in the guidelines decided thereunder pertaining to emissions of greenhouse gases from sectors/source categories from Annex A of the Kyoto Protocol;[32]

(g) It submits the supplementary information on assigned amount in accordance with Article 7, paragraph 1, and the requirements in the guidelines decided thereunder and makes any additions to, and subtractions from, assigned amount pursuant to Article 3, paragraphs 7 and 8,

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[32] Some Parties believe this requirement may not be appropriate, while others believe that it may be elaborated in the decision on guidelines under Article 7 and possibly referred to here as well.

including for the activities under Article 3, paragraphs 3 and 4, in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder;[33]

(h) It maintains its commitment period reserve in accordance with paragraphs 6 to 9 in decision -/CP.7 (Article 17).[34]

31. ++ A Party included in Annex I with a commitment inscribed in Annex B shall be considered to:

(a) + Meet the eligibility requirements referred to in paragraph 30 above after 16[35] months have elapsed since the submission of its report to facilitate the establishment of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to demonstrate its capacity to account for its emissions and assigned amount, in accordance with the modalities adopted for the accounting of assigned amount under Article 7, paragraph 4, unless the enforcement branch of the compliance committee finds in accordance with decision -/CP.7 (Compliance) that the Party does not meet these requirements, or, at an earlier date, if the enforcement branch of the compliance committee has decided that it is not proceeding with any questions of implementation relating to these requirements indicated in reports of the expert review teams under Article 8 of the Kyoto Protocol, and has transmitted this information to the secretariat;

(b) ++ Continue to meet the eligibility requirements referred to in paragraph 30 above unless and until the enforcement branch of the compliance committee decides that the Party does not meet one or more of the eligibility requirements, has suspended the Party's eligibility, and has transmitted this information to the secretariat.

32. The secretariat shall maintain publicly accessible lists of:

(a) Parties not included in Annex I which are Parties to the Kyoto Protocol;

(b) Parties included in Annex I that do not meet the participation requirements in paragraph 30 or have been suspended.

G. Validation and registration

33. ++ Validation is the process of independent evaluation of a project activity by a designated operational entity against the requirements of the CDM as set out in decision -/CP.7 (Article 12) and this annex, on the basis of the project design document, as outlined in Appendix B below.

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[33] Some Parties believe this requirement may not be appropriate, while others believe that it may be elaborated in the decision on guidelines under Article 7 and possibly referred to here as well.

[34] Some Parties view this as important. Important linkages exist to registries under Article 7.4. Some Parties considered this to be both redundant and problematic.

[35] Some Parties think that 12 months are sufficient to allow the Article 8 expert review teams and the compliance committee a reasonable opportunity to identify and rule upon any problems.

34. ++ Registration is the formal acceptance by the executive board of a validated project as a CDM project activity. Registration is the prerequisite for the verification, certification and issuance of CERs related to that project activity.

35. ++ The designated operational entity selected by project participants to validate a project activity, being under a contractual arrangement with them, shall review the project design document and any supporting documentation to confirm that the following requirements have been met:

(a) ++ The participation requirements as set out in paragraphs 27 to 28 above are satisfied;

(b) ++ Comments by local stakeholders have been invited, a summary of the comments received has been provided, and a report to the designated operational entity on how due account was taken of any comments has been received;

(c) ++ Project participants have submitted to the designated operational entity documentation on the analysis of the environmental impacts of the project activity, including transboundary impacts and, if those impacts are considered significant by the project participants or the host Party, have undertaken an environmental impact assessment in accordance with procedures as required by the host Party;

(d) ++ The project activity is expected to result in a reduction in anthropogenic emissions by sources of greenhouse gases that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 41 to 50 below;

(e) ++ The baseline and monitoring methodologies comply with requirements pertaining to:

(i) + Methodologies previously approved by the executive board; or

(ii) + Modalities and procedures for establishing a new methodology, as set out in paragraph 36 below;

(f) ++ Provisions for monitoring, verification and reporting are in accordance with decision -/CP.7 (Article 12) and the present annex;

(g) + The project activity conforms to all other requirements for CDM project activities in decision -/CP.7 (Article 12) and the present annex, and relevant decisions by the COP/MOP and by the executive board.

36. If the designated operational entity determines that the project activity intends to use a new methodology, as referred to in paragraph 35 (e) (ii) above, it shall, prior to a submission for registration of this project activity, forward the proposed methodology to the executive board for review. The executive board shall expeditiously, if possible within three months, review a proposed new methodology recommended for adoption to the COP/MOP. Once adopted by the COP/MOP, the executive board shall make the adopted methodology publicly available. The designated operational entity may proceed with the validation of the project activity. Whenever the executive board approves such a methodology, it shall make it publicly available along with

any relevant guidance. Once such a methodology has been approved by the executive board, the designated operational entity may proceed with the validation of the project activity.

37. ++ A revision of a methodology shall be carried out in accordance with the modalities and procedures for establishing new methodologies as set out in paragraph 36 above. Any revision to an approved methodology shall only be applicable to project activities registered subsequent to the date of revision and shall not affect existing registered project activities during their crediting periods.

38. ++ The designated operational entity shall:

(a) *Option 1*: Prior to the submission of the validation report to the executive board, have received from the project participants a formal letter of approval from the designated national authority of the host Party, including confirmation that the project activity assists the host Party in achieving sustainable development;

Option 2: Prior to the submission of the validation report to the executive board,

(i) Have received from the project participants a formal letter from the designated national authority of the host Party, including confirmation that the project activity assists the host Party in achieving sustainable development; and

(ii) Have received the approval of the CDM project activity from the designated national authority of each Party involved.

(b) ++ In accordance with provisions on confidentiality contained in paragraph 26 (h) above, make publicly available the project design document;

(c) ++ Receive, within 30 days, comments on the validation requirements from Parties, stakeholders and UNFCCC accredited non-governmental organizations and make them publicly available;

(d) ++ After the deadline for receipt of comments, make a determination as to whether, on the basis of the information provided and taking into account the comments received, the project activity should be validated;

(e) ++ Inform project participants of its determination on the validation of the project activity. Notification to the project participants will include:

(i) ++ Confirmation of validation and date of submission of the validation report to the executive board; or

(ii) ++ An explanation of reasons for non-acceptance if the project activity, as documented, is judged not to fulfil the requirements for validation.

(f) + Submit to the executive board, if it determines the proposed project activity to be valid, a request for registration including the validated project design document, the letter as

referred to in subparagraph 38 (a) above and an explanation of how it has taken due account of comments received. The request for registration shall be made in the form of a validation report;

(g) ++ Make this validation report publicly available.

39. + The registration by the executive board shall be deemed final 60 days after the date of receipt by the executive board of the request for registration unless a Party involved in the project activity, or at least one fourth of the members of the executive board, requests a review of the proposed CDM project activity. The review by the executive board shall be made in accordance with the following provisions:

(a) ++ Be related to issues associated with the validation requirements;

(b) ++ Be finalized no later than at the second meeting following the request for review, with the decision and the reasons for it being communicated to the project participants and the public.

40. ++ A proposed project activity that is not accepted may be reconsidered for validation and subsequent registration, after appropriate revisions, provided that it follows the procedures and meets the requirements for validation and registration, including those related to public comments.

41. ++ A CDM project activity is additional if anthropogenic emissions of greenhouse gases by sources are reduced below those that would have occurred in the absence of the registered CDM project activity.

42. + The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic emissions by sources of greenhouse gases that would occur in the absence of the proposed project activity. A baseline shall cover emissions from all gases, sectors and source categories listed in Annex A within the project boundary. A baseline shall be deemed to reasonably represent the anthropogenic emissions by sources that would occur in the absence of the proposed project activity if it is derived using a baseline methodology referred to in paragraphs 35 and 36 above.

43. ++ A baseline shall be established:

(a) ++ By project participants in accordance with provisions for the use of approved and new methodologies, contained in decision -/CP.7 (Article 12) and the present annex;

(b) ++ In a transparent and conservative manner regarding the choice of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality, and taking into account uncertainty;

(c) ++ On a project-specific basis;

(d) ++ In the case of small-scale CDM project activities which meet the criteria specified in decision -/CP.7 (Article 12) and relevant decisions by the COP/MOP, in accordance with simplified procedures developed for such activities;

(e) ++ Taking into account relevant national and/or sectoral policies and circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector.

44. ++ The baseline may include a scenario where future anthropogenic emissions by sources are projected to rise above current levels, due to the specific circumstances of the host Party.

45. ++ The baseline shall be defined in a way that CERs cannot be earned for decreases in activity levels due to *force majeure*.

46. ++ In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify the appropriateness of their choice:

(a) ++ Existing actual or historical emissions, as applicable; or

(b) ++ Emissions from a technology that represents an economically attractive course of action, taking into account barriers to investment; or

(c) ++ The average emissions of similar project activities undertaken in the previous five years, in similar social, economic, environmental and technological circumstances, and whose performance is among the top 20 percent of their category.

47. ++ Project participants shall select a crediting period for a proposed project activity from one of the following alternative approaches:

(a) ++ A maximum of seven years which may be renewed at most two times, provided that, for each renewal, a designated operational entity determines and informs the executive board that the original project baseline is still valid or has been updated taking account of new data where applicable; or

(b) ++ A maximum of ten years with no option of renewal.

48. ++ Reductions in anthropogenic emissions by sources shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 57 and 60 (f) respectively.

49. ++ Leakage is defined as the net change of anthropogenic emissions by sources of greenhouse gases which occurs outside the project boundary, and that is measurable and attributable to the CDM project activity.

50. ++ The project boundary shall encompass all anthropogenic emissions by sources of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the CDM project activity.

H. Monitoring

51. ++ Project participants shall include, as part of the project design document, a monitoring plan that provides for:

(a) ++ The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic emissions by sources of greenhouse gases occurring within the project boundary during the crediting period;

(b) ++ The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic emissions by sources of greenhouse gases within the project boundary during the crediting period;

(c) ++ The identification of all potential sources of, and the collection and archiving of data on, increased anthropogenic emissions by sources of greenhouse gases outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period;

(d) ++ The collection and archiving of information relevant to the provisions in paragraph 35 (c) above;

(e) ++ Quality assurance and control procedures for the monitoring process;

(f) ++ Procedures for the periodic calculation of the reductions of anthropogenic emissions by sources by the proposed CDM project activity, and for leakage effects;

(g) ++ Documentation of all steps involved in the calculations referred to in subparagraphs 51 (c) and 51 (f) above.

52. + A monitoring plan for a proposed project activity shall be based on a previously approved monitoring methodology or a new methodology, in accordance with paragraphs 35 and 36 above, that:

(a) ++ Is determined by the designated operational entity as appropriate to the circumstances of the proposed project activity and has been successfully applied elsewhere;

(b) ++ Reflects good monitoring practice appropriate to the type of project activity.

53. For small-scale CDM project activities meeting the criteria specified in decision -/CP.7 (Article 12) and relevant decisions by the COP/MOP, project participants may use simplified monitoring methodologies in accordance with paragraphs 35 and 36 above.

54. ++ Project participants shall implement the monitoring plan contained in the registered project design document.

55. Revisions to the monitoring plan require justification by project participants that the revisions improve the accuracy and/or completeness of information and shall be validated by the relevant designated operational entity.

56. + The implementation of the registered monitoring plan and its revisions, as applicable, shall be a condition for verification, certification and the issuance of CERs.

57. ++ Subsequent to the monitoring and reporting of reductions in anthropogenic emissions, CERs resulting from a CDM project activity during a specified time period shall be calculated,

applying the registered methodology, by subtracting the actual anthropogenic emissions by sources from baseline emissions and adjusting for leakage.

58. ++ The project participants shall provide to the designated operational entity, contracted by the project participants to perform the verification, a monitoring report in accordance with the registered monitoring plan set out in paragraph 51 above for the purpose of verification and certification.

I. Verification and certification

59. ++ Verification is the periodic independent review and *ex post* determination by the designated operational entity of the monitored reductions in anthropogenic emissions by sources of greenhouse gases that have occurred as a result of a registered CDM project activity during the verification period. Certification is the written assurance by the designated operational entity that, during a specified time period, a project activity achieved the reductions in anthropogenic emissions by sources of greenhouse gases as verified.

60. ++ In accordance with the provisions on confidentiality in paragraph 26 (h) above, the designated operational entity contracted by the project participants to perform the verification shall make the monitoring report publicly available, and:

(a) ++ Determine whether the project documentation provided is in accordance with the requirements of the registered project design document and relevant provisions of decision -/CP.7 (Article 12) and the present annex;

(b) ++ Conduct on-site inspections, as appropriate, that may comprise, *inter alia*, a review of performance records, interviews with project participants and local stakeholders, collection of measurements, observation of established practices and testing of the accuracy of monitoring equipment;

(c) ++ If appropriate, use additional data from other sources;

(d) ++ Review monitoring results and verify that the monitoring methodologies for the estimation of reductions in anthropogenic emissions by sources have been applied correctly and their documentation is complete and transparent;

(e) ++ Recommend to the project participants appropriate changes to the monitoring methodology for any future crediting period, if necessary;

(f) ++ Determine the reductions in anthropogenic emissions by sources of greenhouse gases that would not have occurred in the absence of the CDM project activity, based on the data and information derived under subparagraph 60 (a) and obtained under subparagraphs 60 (b) and/or 60 (c), as appropriate, using calculation procedures consistent with those contained in the registered project design document and in the monitoring plan;

(g) ++ Identify and inform the project participants of any concerns related to the conformity of the actual project activity and its operation with the registered project design document. Project participants shall address the concerns and supply relevant additional information;

(h) ++ Provide a verification report to the project participants, the Parties involved and the executive board. The report shall be made publicly available.

61. ++ The designated operational entity shall, based on its verification report, certify in writing that, during the specified time period, the project activity achieved the verified amount of reductions in anthropogenic emissions by sources of greenhouse gases that would not have occurred in the absence of the CDM project activity. It shall inform the project participants, Parties involved and the executive board of its certification decision in writing immediately upon completion of the certification process and make the certification report publicly available.

J. Issuance of certified emission reductions

62. ++ The certification report shall constitute a request for issuance to the executive board of CERs equal to the verified amount of reductions of anthropogenic emissions by sources of greenhouse gases.

63. + The issuance shall be considered final 15 days after the date of receipt of the request for issuance, unless a Party involved in the project activity, or at least one fourth of the members of the executive board request a review of the proposed CDM project activity. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:

(a) ++ Upon receipt of a request for such a review, the executive board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed issuance of CERs should be approved;

(b) ++ The executive board shall complete its review within 30 days following its decision to perform the review;

(c) ++ The executive board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of CERs and the reasons for it.

64. Upon being instructed by the executive board to issue CERs for a CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall, promptly, issue the specified quantity of CERs into the pending account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such issuance, the CDM registry administrator shall promptly:

(a) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;

(b) Forward the remaining CERs to the registry accounts of Parties and project participants involved, in accordance with their request.

APPENDIX A

{Note: The entire Appendix from FCCC/CP/2000/5/Add.3 (vol. V) was kept, except for paragraph 1 (f) (ii) that was deleted for consistency with the provision that the host Party judges this (under paragraph 38 (e)).}

Standards for the accreditation of operational entities

65. An operational entity shall:

(a) Be a legal entity (either a domestic legal entity or an international organization) and provide documentation of this status to the executive board;

(b) Employ a sufficient number of persons having the necessary competence to perform validation, verification and certification functions relating to the type, range and volume of work performed, under a responsible senior executive;

(c) Have the financial stability, insurance coverage and resources required for its activities;

(d) Have sufficient arrangements to cover legal and financial liabilities arising from its activities;

(e) Have documented internal procedures for carrying out its functions including, among others, procedures for the allocation of responsibility within the organization and for handling complaints; these procedures shall be made publicly available;

(f) Have the necessary expertise to carry out the functions specified in this and relevant decisions by the COP/MOP, in particular have sufficient knowledge and understanding of:

(i) The modalities and procedures and guidelines for the operation of the CDM, relevant decisions of the COP/MOP and of the executive board;

(ii) Environmental issues relevant to validation, verification and certification of CDM projects;

(iii) The technical aspects of CDM activity relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions and other environmental impacts;

(iv) Relevant environmental auditing requirements and methodologies;

(v) Methodologies for accounting of anthropogenic emissions by sources;

(g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including management reviews, and decisions on validation, verification and certification. The applicant operational entity shall make available to the executive board:

(i) The names, qualifications, experience and terms of reference of the senior executive, board members, senior officers and other personnel;

(ii) A structure chart showing lines of authority, responsibility and allocation of functions stemming from the senior executive;

(iii) Its policy and procedures for conducting management reviews;

(iv) Administrative procedures including documents control;

(v) Its policy and procedures for the recruitment and training of operational entity personnel, for ensuring their competence for validation, verification and certification functions, and for monitoring their performance;

(vi) Its procedures for handling complaints, appeals and disputes;

(h) Not have pending any judicial process for malpractice, fraud and/or other activity incompatible with its functions as a designated operational entity.

66. An applicant operational entity shall meet the following operational requirements:

(a) Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law and meeting, in particular, the following requirements:

(i) An applicant operational entity shall have a documented structure, which safeguards impartiality, including provisions to ensure impartiality of its operations;

(ii) If it is part of a larger organization, and where parts of that organization are, or may become, involved in the identification, development or financing of any CDM project activity, the applicant operational entity shall:

- Make a declaration to the executive board of all the organization's actual and potential CDM activities, indicating which part of the organization is involved and in which particular CDM activities;
- Clearly define to the executive board the links with other parts of the organization, demonstrating that no conflicts of interest exist;
- Demonstrate to the executive board that no actual or potential conflict of interest exists between its functions as an operational entity and any other functions that it may have, and demonstrate how business is managed to minimize any identified risk to impartiality. The demonstration shall cover all potential sources of conflict of interest, whether they arise from within the applicant operational entity or from the activities of related bodies;
- Demonstrate to the executive board that it, together with its senior executive and staff, is not involved in any commercial, financial

and other processes which might influence its judgement or endanger trust in its independence of judgement and integrity in relation to its activities, and that it complies with any rules applicable in this respect;

(b) Have adequate arrangements to safeguard confidentiality of the information obtained from CDM project participants in accordance with provisions contained in this annex.

APPENDIX B

Project design document

A project activity shall be described in detail in a project design document which shall include the following:

(a) A description of the project, comprising the project purpose, a technical description of the project, and a description of project boundaries;

(b) Proposed baseline methodology:

(i) Application of an approved methodology:

- Standardized;
- Other;

(ii) New methodology:

- Description of the baseline calculation methodology and justification of choice;
- Justification of estimated operational life of the project and proposed crediting period;
- Description of key parameters, data sources and assumptions used in the baseline estimate, and assessment of uncertainties;
- Projection of baseline emissions and emission reductions by year;
- Description of how the baseline methodology addresses potential leakage;
- In the case of a new baseline methodology, an assessment of its strengths and weaknesses;

(c) Explanation of how the project activity meets the additionality requirements;

(d) Documentation on the analysis of the environmental impacts, and if these impacts are considered significant by the project participants or the host Party, the conclusions and references for support documentation of an environmental impact assessment, undertaken in accordance with procedures as required by the host Party;

(e) Sources of financing and demonstration that the funding is additional;

(f) Stakeholder comments: include a brief description of the process, a summary of the comments received, and a report on how due account was taken of any comments received;

(g) Monitoring plan:

(i) Identification of data needs and data quality with regard to accuracy, comparability, completeness and validity;

(ii) Methodologies to be used for data collection and monitoring including quality assurance and quality control provisions for the monitoring, collecting and reporting;

(h) Proposed formula for the calculation of:

(i) Anthropogenic emissions by sources that are significant and reasonably attributable to the project activity within the project boundary;

(ii) Anthropogenic emissions by sources that are significant and reasonably attributable to the project activity outside the project boundary and within the geographic area of the registered baseline scenario;

(iii) The total anthropogenic emissions by sources under subparagraphs (h) (i) and (h) (ii) above;

(iv) Comparison of the total anthropogenic emissions by sources attributable to the project activity, calculated using the approved methodology within the geographic area of the registered baselines scenario;

(v) Any additional factor required by the executive board to account for changes in anthropogenic emissions by sources that are reasonably attributable to the project activity but outside the geographic area of the registered baseline scenario;

(vi) Reductions in anthropogenic emissions during the specified period, in accordance with paragraph 57 of the annex above;

(i) References.

APPENDIX C

Terms of reference for establishing guidelines on baselines and monitoring methodologies

The executive board, drawing on experts in accordance with the modalities and procedures for a CDM, shall:

(a) Develop general guidance on methodologies relating to baselines and monitoring in order to:

(i) Elaborate the provisions relating to baseline and monitoring methodologies contained in decision -/CP.7 (Article 12) and the annex above;

(ii) Promote consistency, transparency and predictability;

(iii) Provide rigour to ensure that net reductions in anthropogenic emissions are real and measurable, and an accurate reflection of what has occurred within the project boundary;

(iv) Ensure applicability in different geographic regions and to those project categories which are eligible in accordance with decision -/CP.7 (Article 12) and relevant decisions of the COP/MOP;

(b) Provide specific guidance in the following areas:

(i) Definition of project categories (e.g. based on sector, sub sector, project type, technology, geographic area) that show common methodological characteristics for baseline setting, and/or monitoring;

(ii) Baseline methodologies deemed to reasonably represent what would have occurred in the absence of a project activity;

(iii) Monitoring methodologies that provide an accurate measure of actual reductions in anthropogenic emissions as a result of the project activity, taking into account the need for consistency and cost-effectiveness;

(iv) For the project categories identified, methodologies should include guidance on the level of geographic aggregation (i.e. international, national, and default) taking into account data availability;

(v) Decision trees and other methodological tools, where appropriate, to guide choices in order to ensure that the most appropriate methodologies are selected, taking into account relevant circumstances;

(vi) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of reductions in anthropogenic emissions;

(vii) Determination of project boundaries including accounting for all greenhouse gases that should be included as a part of the baseline, and monitoring. Relevance of leakage and recommendations for establishing appropriate project boundaries and methods for the *ex post* evaluation of the level of leakage;

(viii) Crediting period of a project;

(ix) Modalities for accounting for applicable national policies and specific national or regional circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the sector relevant to the project activity;

(c) Take into account, *inter alia*:

(i) Current practices in the host country or an appropriate region, and observed trends;

(ii) Least cost technology for the activity or project category;

(d) Develop, on a priority basis, simplified methodologies for baselines for small-scale projects and their monitoring.

APPENDIX D

Clean development mechanism registry requirements

1. The executive board shall establish and maintain a CDM registry to ensure the accurate accounting of the issuance, holding, transfer and acquisition of CERs by Parties not included in Annex I. The executive board shall identify a registry administrator to maintain the registry under its authority.

2. The CDM registry shall be in the form of a standardized electronic database which contains, inter alia, common data elements relevant to the issuance, holding, transfer and acquisition of CERs. The structure and data formats of the CDM registry shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the CDM registry and the independent transaction log.

3. The CDM registry shall have the following accounts:

(a) One pending account for the executive board, into which CERs are issued before being transferred to other accounts;

(b) At least one holding account for each Party not included in Annex I hosting a CDM project activity or requesting an account;

(c) At least one account for the purpose of cancelling ERUs, CERs and AAUs equal to excess CERs issued, as determined by the executive board, where the accreditation of a designated operational entity has been withdrawn or suspended;

(d) At least one account for the purpose of holding and transferring CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation in accordance with Article 12, paragraph 8. Such an account may not otherwise acquire ERUs, CERs or AAUs.

4. Each CER shall be held in only one account in one registry at a given time.

5. Each account within the CDM registry shall have a unique account number comprising the following elements:

(a) Party/organization identifier: the Party for which the account is maintained, using the two-letter country code defined by the International Organization for Standardization (ISO 3166), or, in the cases of the pending account and an account for managing the CERs corresponding to the share of proceeds, the executive board or another appropriate organization;

(b) A unique number: a number unique to that account for the Party or organization for which the account is maintained.

6. Upon being instructed by the executive board to issue CERs for a CDM project activity, the registry administrator shall, in accordance with the transaction procedures set out in the modalities for the accounting of assigned amount under Article 7, paragraph 4:

(a) Issue the specified quantity of CERs into a pending account of the executive board;

(b) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for holding and transferring such CERs;

(c) Forward the remaining CERs to the registry accounts of project participants and Parties involved, as specified by their distribution agreement.

7. Each CER shall have a unique serial number comprising the following elements:

(a) Commitment period: the commitment period for which the CER is issued;

(b) Party of origin: the Party which hosted the CDM project activity, using the two-letter country code defined by ISO 3166;

(c) Type: this shall identify the unit as a CER;

(d) A unique number: a number unique to the CER for the identified commitment period and Party of origin;

(e) Project identifier: a number unique to the CDM project activity for the Party of origin.

8. Where the accreditation of a designated operational entity has been withdrawn or suspended, ERUs, CERs and/or AAUs equal to the excess CERs issued, as determined by the executive board, shall be transferred to a cancellation account in the CDM registry. Such ERUs, CERs and AAUs may not be further transferred or used for the purpose of demonstrating the compliance of a Party with its commitment under Article3, paragraph 1.

9. The CDM registry shall record non-confidential information and provide a publicly accessible user interface through the Internet that allows interested persons to query and view it.

10. The information referred to in paragraph 9 above shall include the following account information relevant to the CDM registry, for each account number:

(a) Account name: the holder of the account;

(b) Representative identifier: the representative of the account holder, using the Party/organization identifier (the two-letter country code defined by ISO 3166) and a number unique to that representative for that Party or organization;

(c) Representative name and contact information: the full name, mailing address, telephone number, facsimile number and e-mail address of the representative of the account holder.

11. The information referred to in paragraph 9 above shall include the following CDM project activity information, for each project identifier against which the CERs have been issued:

(a) Project name: a unique name for the CDM project activity;

(b) Project location: the Party and town or region in which the CDM project activity is located;

(c) Years of CER issuance: the years in which CERs have been issued as a result of the CDM project activity;

(d) Operational entities: the operational entities involved in the validation, verification and certification of the CDM project activity;

(e) Reports: downloadable electronic versions of documentation to be made publicly available in accordance with the provisions of the present annex.

12. The information referred to in paragraph 9 above shall include the following holding and transaction information relevant to the CDM registry, by serial numbers, for each calendar year (defined according to Greenwich Mean Time):

(a) CERs in each account at the beginning of the year;

(b) CERs issued;

(c) CERs transferred and the identity of the acquiring accounts and registries;

(d) ERUs, CERs and AAUs cancelled in accordance with paragraph 8 above;

(e) Current holdings of CERs in each account.

Draft decision -/CP.7 (Article 17)

Modalities, rules and guidelines for emissions trading

The Conference of the Parties,

Being aware of its decision -/CP.7 (Mechanisms),

1. *Decides* to adopt the modalities, rules and guidelines for emissions trading contained in the annex below;

2. *Decides* further that any future revision of the guidelines shall be decided in accordance with the rules of procedures of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol as applied. The first review shall be carried out no later than one year after the end of the first commitment period, based on recommendations by the Subsidiary Body for Implementation drawing on technical advice of the Subsidiary Body for Scientific and Technological Advice, as needed. Further reviews shall be carried out periodically thereafter;

3. *Urges* the Parties included in Annex II to facilitate the participation in emissions trading under Article 17 of the Kyoto Protocol of Parties included in Annex I with commitments inscribed in Annex B that are undergoing the process of transition to a market economy;

4. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the following decision.

Draft decision -/CMP.1 (Article 17)[36]

Modalities, rules and guidelines for emissions trading

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Being aware of its decisions -/CMP.1 (Mechanisms), -/CMP.1 (Article 6), -/CMP.1 (Article 12), -/CMP.1 (Modalities for accounting of assigned amounts) and -/CMP.1 (Compliance),

1. *Decides* to confirm and give full effect to any actions taken pursuant to decision -/CP.7 (Article 17) and to any other relevant decisions by the Conference of the Parties, as appropriate;

2. *Urges* the Parties included in Annex II to facilitate the participation in emissions trading under Article 17 of the Kyoto Protocol of Parties included in Annex I with commitments inscribed in Annex B that are undergoing the process of transition to a market economy.

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[36] Some Parties noted that Article 17 specifies that the principles, modalities, rules and guidelines for emissions trading are to be defined by the Conference of the Parties. A decision by COP/MOP would not be needed.

ANNEX

Modalities, rules and guidelines for emissions trading

1. For the purpose of this annex the definitions contained in Article 1[37] and the provisions in Article 14 shall apply. Furthermore:

(a) An "emission reduction unit" or "ERU" is a unit [issued][transferred] pursuant to Article 6 and requirements thereunder and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(b) ++ A "certified emission reduction" or "CER" is a unit issued pursuant to Article 12 and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5; *(FCCC/CP/2000/5/Add.3 (vol. V))*

(c) *Option 1*: An "assigned amount unit" or "AAU" is a unit issued pursuant to the relevant provisions on registries in decision -/CMP.1 (Modalities for the accounting of assigned amounts), and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

Option 2: A "part of assigned amount" or "PAA" is a unit issued pursuant to Article 17 of the Protocol and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent emissions, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.

2. + Subject to the provisions of paragraph 3, a Party included in Annex I with a commitment inscribed in Annex B is eligible to transfer and/or acquire ERUs, CERs[38] or AAUs, issued in accordance with the relevant provisions, if it is in compliance with the following eligibility requirements:

(a) ++ It is a Party to the Kyoto Protocol;

(b) It [has accepted the agreement on][is subject to the relevant provisions on][*some other acceptable formulation*] procedures and mechanisms on compliance under the Kyoto Protocol;

(c) ++ It has established its assigned amount pursuant to Article 3, paragraphs 7 and 8, in accordance with the modalities for the accounting of assigned amount under Article 7, paragraph 4;

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[37] "Article" refers in this annex to an article of the Kyoto Protocol, unless otherwise specified.

[38] The Group of 77 and China requested the deletion of these words.

(d) ++ It has in place a national system for the estimation of anthropogenic emissions by sources and anthropogenic removals by sinks of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5, paragraph 1, and the requirements in the guidelines decided thereunder;

(e) ++ It has in place a national registry in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder;

(f) + It has submitted the most recent available annual inventory, and continues to submit its annual inventories, in accordance with Article 5, paragraph 2, and Article 7, paragraph 1, and the requirements in the guidelines decided thereunder pertaining to emissions of greenhouse gases from sectors/source categories from Annex A of the Kyoto Protocol;[39]

(f) It submits the supplementary information on assigned amount in accordance with Article 7, paragraph 1, and the requirements in the guidelines decided thereunder and makes any additions to, and subtractions from, assigned amount pursuant to Article 3, paragraphs 7 and 8, including for the activities under Article 3, paragraphs 3 and 4, in accordance with Article 7, paragraph 4, and the requirements in the guidelines decided thereunder;[40]

(g) It maintains its commitment period reserve in accordance with paragraphs 6 to 9 below.[41]

3. ++ A Party included in Annex I with a commitment inscribed in Annex B shall be considered to:

(a) + Meet the eligibility requirements referred to in paragraph 2 above after 16[42] months have elapsed since the submission of its report to facilitate the establishment of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to demonstrate its capacity to account for its emissions and assigned amount, in accordance with the modalities adopted for the accounting of assigned amount under Article 7, paragraph 4, unless the enforcement branch of the compliance committee finds in accordance with decision -/CP.7 (Compliance) that the Party does not meet these requirements, or, at an earlier date, if the enforcement branch of the compliance committee has decided that it is not proceeding with any questions of implementation relating to these requirements indicated in reports of the expert review teams under Article 8 of the Kyoto Protocol, and has transmitted this information to the secretariat;

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[39] Some Parties believe this requirement may not be appropriate, while others believe that it may be elaborated in the decision on guidelines under Article 7 and possibly referred to here as well.

[40] Some Parties believe this requirement may not be appropriate, while others believe that it may be elaborated in the decision on guidelines under Article 7 and possibly referred to here as well.

[41] Some Parties view this as important. There are important linkages to registries under Article 7.4. Some Parties considered this to be both redundant and problematic.

[42] Some Parties think that 12 months are sufficient to allow the Article 8 expert review teams and the compliance committee a reasonable opportunity to identify and rule upon any problems.

(b) ++ Continue to meet the eligibility requirements referred to in paragraph 2 above unless and until the enforcement branch of the compliance committee decides that the Party does not meet one or more of the eligibility requirements, has suspended the Party's eligibility and has transmitted this information to the secretariat.

4. ++ The secretariat shall maintain a publicly accessible list of Parties that meet the eligibility requirements and of Parties that have been suspended.

5. ++ Transfers and acquisitions between national registries shall be made under the responsibility of the Parties concerned in accordance with the provisions on registries in decision -/CMP.1 (Modalities for the accounting of assigned amounts). A Party that authorizes legal entities to transfer and/or acquire under Article 17 shall remain responsible for the fulfilment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with the present annex. The Party shall maintain an up-to-date list of such entities and make it available to the secretariat and the public through its national registry. Legal entities may not transfer and/or acquire under Article 17 during any period of time in which the authorizing Party does not meet the eligibility requirements or has been suspended.

6. +++ Each Party included in Annex I shall maintain, in its national registry, a commitment period reserve which should not drop below 90 per cent of the Party's assigned amount calculated pursuant to Article 3, paragraphs 7 and 8, of the Kyoto Protocol, or 100 per cent of five times its most recently reviewed inventory, whichever is lowest.

7. + The commitment period reserve shall consist of holdings of ERUs, CERs and/or AAUs for the relevant commitment period which have not been cancelled in accordance with decision -/CMP.1 (Modalities for accounting of assigned amount).

8. Upon establishment of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and until expiration of the additional period for fulfilling commitments, a Party should/shall not make a transfer which would result in these holdings being below the required level of the commitment period reserve.

9. + If calculations under paragraph 6 raise the required level of the commitment period reserve above the Party's holdings of ERUs, CERs and AAUs, the Party shall be notified by the secretariat and, within 30 days of this notification, bring its holdings to the required level.[43]

10. Any provisions relating to the commitment period reserve or other limitations to transfers under Article 17 shall not apply to transfers by a Party of ERUs issued into its national registry that were verified in accordance with the verification procedure under the Article 6 supervisory committee.

11. ++ The secretariat shall perform functions as requested.

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[43] Parties agreed that further work is necessary to address cancellations, including those that can occur with activities under Article 3, paragraphs 3 and 4.

III. PROCEDURES AND MECHANISMS ON COMPLIANCE UNDER THE KYOTO PROTOCOL

Draft decision -/CP.7[44]

Procedures and mechanisms on compliance under the Kyoto Protocol

The Conference of the Parties,

Recalling its decisions 8/CP.4 and 15/CP.5,

Noting with appreciation the work done by the Joint Working Group on Compliance on the development of procedures and mechanisms on compliance under the Kyoto Protocol,

Recognizing the need to prepare for the early entry into force of the Kyoto Protocol,

Also recognizing the need to prepare for the timely operation of the procedures and mechanisms on compliance under the Kyoto Protocol;

1. *Decides* to adopt the procedures and mechanisms on compliance under the Kyoto Protocol annexed hereto;

2. *Recommends* that the Conference of the Parties serving as meeting of the Parties to the Kyoto Protocol, at its first session, adopt procedures and mechanisms relating to compliance in terms of Article 18 of the Kyoto Protocol;

3. *Also recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the following decision.

Draft decision -/CMP.1

Procedures and mechanisms on compliance under the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Recalling decision -/CP.7 (*Procedures and mechanisms on compliance under the Kyoto Protocol*),

Decides to confirm decision -/CP.7 (*Procedures and mechanisms on compliance under the Kyoto Protocol*) and to bring the procedures and mechanisms on compliance under the Kyoto Protocol into operation.

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[44] This text was given restricted distribution at the second part of the sixth session under the symbol FCCC/CP/2001/CRP.12/Rev.1.

ANNEX

Procedures and mechanisms on compliance under the Kyoto Protocol

In pursuit of the ultimate objective of the Convention as stated in its Article 2,

Recalling the provisions of the Convention and the Kyoto Protocol,

Being guided by Article 3 of the Convention,

Pursuant to the mandate adopted by decision 8/CP.4 of the Conference of the Parties to the Convention at its fourth session,

The following procedures and mechanisms have been adopted:

I. OBJECTIVE

The objective of these procedures and mechanisms is to facilitate, promote and enforce compliance with the commitments under the Kyoto Protocol, hereinafter referred to as "the Protocol".

II. COMPLIANCE COMMITTEE

1. A compliance committee, hereinafter referred to as "the Committee", is hereby established.

2. The Committee shall function through a plenary, a bureau and two branches, namely, the facilitative branch and the enforcement branch.

3. The Committee shall consist of twenty members elected by the Conference of the Parties serving as the meeting of the Parties to the Protocol, ten of whom are to be elected to serve in the facilitative branch and ten to be elected to serve in the enforcement branch.

4. Each branch shall elect, from among its members and for a term of two years, a chairperson and a vice-chairperson. These persons shall constitute the bureau of the Committee. The chairmanship of each branch shall rotate between Parties included in Annex I and Parties not included in Annex I.

5. For each member of the Committee, the Conference of the Parties serving as the meeting of the Parties to the Protocol shall elect an alternate member.

6. Members of the Committee and their alternates shall serve in their individual capacities. They shall have recognized competence relating to climate change and in relevant fields such as the scientific, technical, socio-economic or legal fields.

7. The facilitative branch and the enforcement branch shall interact and cooperate in their functioning and, as necessary, on a case-by-case basis, the bureau of the Committee may

designate one or more members of one branch to contribute to the work of the other branch on a non-voting basis.

8. The adoption of decisions by the Committee shall require a quorum of at least three-fourths of the members to be present.

9. The Committee shall make every effort to reach agreement on any decisions by consensus. If all efforts at reaching consensus have been exhausted, the decisions shall as a last resort be adopted by a three-fourths majority vote of the members present and voting. In addition, the adoption of decisions by the enforcement branch shall require a majority of members from Parties included in Annex I present and voting, as well as a majority of members from Parties not included in Annex I present and voting. "Members present and voting" means members present and casting an affirmative or a negative vote.

10. The Committee shall, unless it decides otherwise, meet at least twice each year, taking notice of the desirability of holding such meetings in conjunction with the meetings of the subsidiary bodies under the Convention.

11. The Committee shall take into account any degree of flexibility provided by the Conference of the Parties serving as the meeting of the Parties to the Protocol, pursuant to Article 3, paragraph 6, of the Protocol and taking into account Article 4, paragraph 6, of the Convention, to the Parties included in Annex I undergoing the process of transition to a market economy.

III. PLENARY OF THE COMMITTEE

1. The plenary shall consist of the members of the facilitative branch and the enforcement branch. The chairperson of each branch shall be co-chairpersons of the plenary.

2. The functions of the plenary shall be:

(a) To report on all its activities, including a list of decisions taken by the branches, to each ordinary session of the Conference of the Parties serving as the meeting of the Parties to the Protocol;

(b) To apply the guidance received from the Conference of the Parties serving as the meeting of the Parties to the Protocol;

(c) To submit proposals on administrative and budgetary matters to the Conference of the Parties serving as the meeting of the Parties to the Protocol for the effective functioning of the Committee;

(d) To develop further rules of procedure, including rules on confidentiality, conflict of interest, submission of information by intergovernmental and non-governmental organizations, and translation, for adoption by the Conference of the Parties serving as the meeting of the Parties to the Protocol by consensus;

(e) To perform such other functions as may be requested by the Conference of the Parties serving as the meeting of the Parties to the Protocol for the effective functioning of the Committee.

IV. FACILITATIVE BRANCH

1. The facilitative branch shall be composed of:

(a) One member from each of the five regional groups of the United Nations and one member from the small island developing States, taking into account the interest groups as reflected by the current practice in the Bureau of the Conference of the Parties;

(b) Two members from Parties included in Annex I; and

(c) Two members from Parties not included in Annex I.

2. The Conference of the Parties serving as the meeting of the Parties to the Protocol shall elect five members for a term of two years and five members for a term of four years. Each time thereafter, the Conference of the Parties serving as the meeting of the Parties to the Protocol shall elect five new members for a term of four years. Members shall not serve for more than two consecutive terms.

3. The membership of the facilitative branch shall reflect in a balanced manner competence in the fields referred to in section II, paragraph 6, above.

4. The facilitative branch shall be responsible for providing advice and facilitation to Parties in implementing the Protocol, and for promoting compliance of Parties with their commitments under the Protocol, depending on circumstances pertaining to the question before it and taking into account Parties' common but differentiated responsibilities and respective capabilities.

5. The facilitative branch shall be responsible for addressing questions of implementation relating to:

(a) Commitments under Article 3, paragraph 2, of the Protocol;

(b) Commitments under Article 3, paragraph 14, of the Protocol; and

(c) The use of Articles 6, 12 and 17 of the Protocol as supplemental to domestic action.

6. With the aim of promoting compliance and providing for early warning of potential non-compliance, the facilitative branch shall be responsible for providing advice and facilitation for compliance with:

(a) Commitments under Article 3, paragraph 1, of the Protocol, prior to the beginning of the relevant commitment period and during that commitment period;

(b) Commitments under Articles 5, paragraphs 1 and 2, of the Protocol, prior to the beginning of the first commitment period; and

(c) Commitments under Article 7, paragraphs 1 and 4, of the Protocol prior to the beginning of the first commitment period.

7. The facilitative branch shall be responsible for applying the consequences set out in Section XIV below.

V. ENFORCEMENT BRANCH

1. The enforcement branch shall be composed of:

(a) One member from each of the five regional groups of the United Nations and one member from the small island developing States, taking into account the interest groups as reflected by the current practice in the Bureau of the Conference of the Parties;

(b) Two members from Parties included in Annex I; and

(c) Two members from Parties not included in Annex I.

2. The Conference of the Parties serving as the meeting of the Parties to the Protocol shall elect five members for a term of two years and five members for a term of four years. Each time thereafter, the Conference of the Parties serving as the meeting of the Parties to the Protocol shall elect five new members for a term of four years. Members shall not serve for more than two consecutive terms.

3. The members of the enforcement branch shall have legal experience.

4. The enforcement branch shall be responsible for determining whether a Party included in Annex I is:

(a) Not in compliance with commitments under Article 3, paragraph 1, of the Protocol;

(b) Not in compliance with commitments under Article 5, paragraphs 1 and 2, of the Protocol;

(c) Not in compliance with commitments under Article 7, paragraphs 1 and 4, of the Protocol except commitments relating to information for the purposes of ensuring compliance with Article 3, paragraph 14, of the Protocol; and

(d) Not meeting eligibility requirements under Articles 6, 12 and 17 of the Protocol.

5. The enforcement branch shall:

(a) Determine whether to apply adjustments to inventories under Article 5, paragraph 2, of the Protocol, in the event of a disagreement between an expert review team under Article 8 of the Protocol and the Party involved; and

(b) Resolve questions of implementation relating to Article 7, paragraph 4, of the Protocol.

6. The enforcement branch shall be responsible for applying the consequences set out in Section XV below. The application of consequences of non-compliance with Article 3, paragraph 1, of the Protocol shall be aimed at the restoration of non-compliance to ensure environmental integrity, and shall provide for an incentive to comply.

VI. SUBMISSIONS

1. The Committee shall receive, through the secretariat, questions of implementation indicated in reports of expert review teams under Article 8 of the Protocol, or submitted by:

(a) Any Party with respect to itself; or

(b) Any Party with respect to another Party, supported by corroborating information.

2. The secretariat shall forthwith make available to the Party in respect of which the question of implementation is raised, hereinafter referred to as "the Party concerned", any question of implementation submitted under paragraph 1 above.

3. In addition to the reports referred to in paragraph 1 above, the Committee shall also receive, through the secretariat, other final reports of expert review teams.

VII. ALLOCATION AND PRELIMINARY EXAMINATION

1. The bureau of the Committee shall allocate questions of implementation to the appropriate branch in accordance with the mandates of each branch set out in section IV, paragraphs 4 and 5, and section V, paragraphs 4, 5 and 6.

2. The relevant branch shall undertake preliminary examination of questions of implementation to ensure that, except in the case of a question raised by a Party with respect to itself, the question before it:

(a) Is supported by sufficient information;

(b) Is not *de minimis* or ill-founded; and

(c) Is based on the requirements of the Protocol.

3. The preliminary examination of questions of implementation shall be completed within three weeks from the date of receipt of these questions by the relevant branch.

4. After the preliminary examination of questions of implementation, the Party concerned shall, through the secretariat, be notified in writing of the decision and, in the event of a decision to proceed, be provided with a statement identifying the question of implementation, the information on which the question is based and the branch that will consider the question.

5. In the event of the review of eligibility requirements for a Party under Articles 6, 12 and 17 of the Protocol, the enforcement branch shall also, through the secretariat, notify the Party concerned in writing of the decision not to proceed with questions of implementation relating to eligibility requirements under those articles.

6. Any decision not to proceed shall be made available by the secretariat to other Parties and to the public.

7. The Party concerned shall be given an opportunity to comment in writing on all information relevant to the question of implementation and the decision to proceed.

VIII. GENERAL PROCEDURES

1. Following the preliminary examination of questions of implementation, the procedures set out in this section shall apply to the Committee, except where otherwise provided in these procedures and mechanisms.

2. The Party concerned shall be entitled to designate one or more persons to represent it during the consideration of the question of implementation by the relevant branch. This Party shall not participate in the elaboration and adoption of a decision of the branch.

3. Each branch shall base its deliberations on any relevant information provided by:

(a) Reports of the expert review teams under Article 8 of the Protocol;

(b) The Party concerned;

(c) The Party that has submitted a question of implementation with respect to another Party;

(d) Reports of the Conference of the Parties, the Conference of the Parties serving as the meeting of the Parties to the Protocol, and the subsidiary bodies under the Convention and the Protocol; and

(e) The other branch.

4. Competent intergovernmental and non-governmental organizations may submit relevant factual and technical information to the relevant branch.

5. Each branch may seek expert advice.

6. Any information considered by the relevant branch shall be made available to the Party concerned and, subject to any rules relating to confidentiality, to the public. The branch shall indicate to the Party concerned which of this information it has considered. The Party concerned shall be given an opportunity to comment in writing on such information.

7. The relevant branch shall forthwith, through the secretariat, notify the Party concerned in writing of its decision, including conclusions and reasons therefor. The secretariat shall make the decisions available to other Parties and to the public.

8. The Party concerned shall be given an opportunity to comment in writing on any decision of the relevant branch.

9. Any question of implementation submitted under section VI, paragraph 1; any notification under section VII, paragraph 4; any information under paragraph 3 above; and any

decision of the relevant branch, including conclusions and reasons therefor, shall be translated into one of the six official languages of the United Nations, if the Party concerned so requests.

IX. PROCEDURES FOR THE ENFORCEMENT BRANCH

1. Within ten weeks from the date of receipt of the notification under section VII, paragraph 4, the Party concerned may make a written submission to the enforcement branch, including rebuttal of information submitted to the branch.

2. If so requested in writing by the Party concerned within ten weeks from the date of receipt of the notification under section VII, paragraph 4, the enforcement branch shall hold a hearing at which the Party concerned shall have the opportunity to present its views. The hearing shall take place within four weeks from the date of receipt of the request or of the written submission under paragraph 1 above, whichever is the later. The Party concerned may present expert testimony or opinion at the hearing. Such a hearing shall be held in public, unless the enforcement branch decides that part or all of the hearing shall take place in private.

3. The enforcement branch may put questions to and seek clarification from the Party concerned, either in the course of such a hearing or at any time in writing, and the Party concerned shall provide a response within six weeks thereafter.

4. Within four weeks from the date of receipt of the written submission of the Party concerned under paragraph 1 above, or within four weeks from the date of any hearing pursuant to paragraph 2 above, or within fourteen weeks from the notification under section VII, paragraph 4, if the Party has not provided a written submission, whichever is the latest, the enforcement branch shall:

(a) Adopt a preliminary finding that the Party concerned is not in compliance with commitments under one or more of the articles of the Protocol referred to in section V, paragraph 4; or

(b) Otherwise determine not to proceed further with the question.

5. The preliminary finding, or the decision not to proceed, shall include conclusions and reasons therefor.

6. The enforcement branch shall forthwith, through the secretariat, notify the Party concerned in writing of its preliminary finding or decision not to proceed. The secretariat shall make the decision not to proceed available to the other Parties and to the public.

7. Within ten weeks from the date of receipt of the notification of the preliminary finding, the Party concerned may provide a further written submission to the enforcement branch. If the Party concerned does not do so within that period of time, the enforcement branch shall adopt a final decision confirming its preliminary finding.

8. If the Party concerned provides a further written submission, the enforcement branch shall, within four weeks from the date it received the further submission, consider it and adopt a final decision, indicating whether the preliminary finding, as a whole or any part of it to be specified, is confirmed.

9. The final decision shall include conclusions and reasons therefor.

10. The enforcement branch shall forthwith, through the secretariat, notify the Party concerned in writing, of its final decision. The secretariat shall make the final decision available to the other Parties and to the public.

11. The enforcement branch, when the circumstances of an individual case so warrant, may extend any time-frames provided for in this section.

12. Where appropriate, the enforcement branch may, at any time, refer a question of implementation to the facilitative branch for consideration.

X. EXPEDITED PROCEDURES FOR THE ENFORCEMENT BRANCH

1. Where a question of implementation relates to eligibility requirements under Articles 6, 12 and 17 of the Protocol, sections VII to IX shall apply, except that:

(a) The preliminary examination referred to in section VII, paragraph 2, shall be completed within two weeks from the date of receipt of the question of implementation by the enforcement branch;

(b) The Party concerned may make a written submission within four weeks from the date of receipt of the notification under section VII, paragraph 4;

(c) If so requested in writing by the Party concerned within two weeks from the date of receipt of the notification under section VII, paragraph 4, the enforcement branch shall hold a hearing as referred to in section IX, paragraph 2, that shall take place within two weeks from the date of receipt of the request or of the written submission under subparagraph (b) above, whichever is the later;

(d) The enforcement branch shall adopt its preliminary finding or a decision not to proceed within six weeks of the notification under section VII, paragraph 4, or within two weeks of a hearing under section IX, paragraph 2, whichever is the shorter;

(e) The Party concerned may make a written submission within four weeks from the date of receipt of the notification referred to in section IX, paragraph 6;

(f) The enforcement branch shall adopt its final decision within two weeks from the date of receipt of any submission referred to in section IX, paragraph 7; and

(g) The periods of time stipulated in section IX shall apply only if, in the opinion of the enforcement branch, they do not interfere with the adoption of decisions in accordance with paragraphs 1 (d) and (f) above.

2. Where the eligibility of a Party under Articles 6, 12 and 17 of the Protocol has been suspended and if the Party concerned requests the enforcement branch to reinstate its eligibility, the enforcement branch shall decide on such a request as soon as possible.

3. In the event of a disagreement whether to apply an adjustment to inventories under Article 5, paragraph 2, of the Protocol or questions of implementation relating to Article 7,

paragraph 4, of the Protocol, the enforcement branch shall decide on the matter within twelve weeks of being informed in writing of such disagreement or question of implementation. In doing so, the enforcement branch may seek expert advice.

XI. APPEALS

1. The Party in respect of which a final decision has been taken may appeal to the Conference of the Parties serving as the meeting of the Parties to the Protocol against a decision of the enforcement branch related to Article 3, paragraph 1, of the Protocol if that Party believes it has been denied due process through a violation of the rules and procedures of the Committee.

2. The appeal shall be lodged with the secretariat of the Conference of the Parties serving as the meeting of the Parties to the Protocol within 45 days after the Party has been informed of the decision of the enforcement branch. The Conference of the Parties serving as the meeting of the Parties to the Protocol shall consider the appeal at its first session after the lodging of the appeal.

3. The Conference of the Parties serving as the meeting of the Parties to the Protocol may agree by a three fourths majority vote of the Parties present and voting at the meeting to override the decision of the enforcement branch, in which event the Conference of the Parties serving as the meeting of the Parties to the Protocol shall refer the matter of the appeal back to the enforcement branch.

4. The decision of the enforcement branch shall be definitive if after 45 days no appeal has been made against it.

XII. RELATIONSHIP BETWEEN THE CONFERENCE OF THE PARTIES SERVING AS THE MEETING OF THE PARTIES TO THE PROTOCOL AND THE COMPLIANCE COMMITTEE

The Conference of the Parties serving as the meeting of the Parties to the Protocol shall:

(a) Consider the reports of the plenary on the progress of its work;

(b) Provide general policy guidance, including on any issues regarding implementation that may have implications for the work of the subsidiary bodies under the Protocol; and

(c) Adopt decisions on proposals on administrative and budgetary matters.

XIII. ADDITIONAL PERIOD FOR FULFILLING COMMITMENTS

For the purpose of fulfilling commitments under Article 3, paragraph 1, of the Protocol, a Party may, within one month from the date set by the Conference of the Parties serving as the meeting of the Parties to the Protocol for the completion of the expert review process for the last year of the commitment period, continue to acquire, and other Parties may transfer to such Party, emission reduction units, certified emission reductions and assigned amount units under Articles 6, 12 and 17 of the Protocol, respectively, from the preceding commitment period,

provided the eligibility of any such Party has not been suspended in accordance with section XV, paragraph 4.

XIV. CONSEQUENCES APPLIED BY THE FACILITATIVE BRANCH

The facilitative branch shall decide on the application of one or more of the following consequences:

(a) Provision of advice and facilitation of assistance to individual Parties regarding the implementation of the Protocol;

(b) Facilitation of financial and technical assistance, including technology transfer and capacity-building, taking into account Article 4, paragraphs 3, 4 and 5, of the Convention;

(c) Formulation of recommendations to the Party concerned, taking into account Article 4, paragraph 7, of the Convention.

XV. CONSEQUENCES APPLIED BY THE ENFORCEMENT BRANCH

1. Where the enforcement branch has determined that a Party is not in compliance with Article 5, paragraph 1 or 2, or Article 7, paragraph 1 or 4, of the Protocol, it shall apply the following consequences, taking into account the cause, type, degree and frequency of the non-compliance of that Party:

(a) Declaration of non-compliance; and

(b) Development of a plan in accordance with paragraphs 2 and 3 below.

2. The Party not in compliance under paragraph 1 above, shall, within three months after the determination of non-compliance or such other period that the enforcement branch considers appropriate, submit to the enforcement branch for review and assessment a plan that includes:

(a) An analysis of the causes of non-compliance of the Party;

(b) Measures that the Party intends to implement in order to remedy the non-compliance; and

(c) A timetable for implementing such measures within a time-frame not exceeding twelve months which enables the assessment of progress in the implementation.

3. The Party not in compliance under paragraph 1 above, shall submit to the enforcement branch progress reports on the implementation of the plan on a quarterly basis. On the basis of such progress reports, the enforcement branch may decide on the application of further consequences, as appropriate.

4. Where the enforcement branch has determined that a Party does not meet one or more of the eligibility requirements under Articles 6, 12 and 17 of the Protocol, it shall suspend the eligibility of that Party in accordance with relevant provisions under those articles, until the enforcement branch decides to reinstate the eligibility of such a Party.

5. Where the enforcement branch has determined that the emissions of a Party, following the period referred to in section XIII, have exceeded its assigned amount, calculated pursuant to its quantified emission limitation or reduction commitment inscribed in Annex B to the Protocol and in accordance with the provisions of Article 3 of the Protocol as well as the modalities for the accounting of assigned amounts under Article 7, paragraph 4, of the Protocol, it shall declare that that Party is not in compliance with commitments under Article 3, paragraph 1, of the Protocol, and apply the following consequences:

(a) Deduction from the Party's assigned amount of the second commitment period of a number of tonnes equal to 1.3 times the amount in tonnes of excess emissions;

(b) Development of a compliance action plan in accordance with paragraphs 6 and 7 below; and

(c) Suspension of the eligibility to make transfers under Article 17 of the Protocol until the Party has demonstrated to the satisfaction of the enforcement branch that it will meet its quantified emission limitation or reduction commitment in the subsequent commitment period.

6. The Party not in compliance under paragraph 5 above, shall, within three months after the determination of non-compliance or such other period that the enforcement branch considers appropriate, submit to the enforcement branch for review and assessment a compliance action plan that includes:

(a) An analysis of the causes of the non-compliance of the Party;

(b) Action that the Party intends to implement in order to meet its quantified emission limitation or reduction commitment in the subsequent commitment period giving priority to domestic policies and measures; and

(c) A timetable for implementing such action within a time-frame that does not exceed three years, or such other shorter period that the enforcement branch considers appropriate, which enables the assessment of annual progress in the implementation.

7. The Party not in compliance under paragraph 5 above, shall submit to the enforcement branch a progress report on the implementation of the compliance action plan on an annual basis.

8. For subsequent commitment periods, the rate referred to in paragraph 5 (a) above shall be determined by an amendment.

XVI. RELATIONSHIP WITH ARTICLES 16 AND 19 OF THE PROTOCOL

The procedures and mechanisms on compliance shall operate without prejudice to Articles 16 and 19 of the Protocol.

XVII. SECRETARIAT

The secretariat referred to in Article 14 of the Protocol shall serve as the secretariat of the Committee.

IV. "BEST PRACTICES" IN POLICIES AND MEASURES

Draft decision -/CP.7[45]

"Good practices" in policies and measures among Parties included in Annex I to the Convention[46]

The Conference of the Parties,

Recalling the relevant provisions of the United Nations Framework Convention on Climate Change, in particular in Articles 4 and 7, paragraph 2 (b), and of the Kyoto Protocol, in particular in Articles 2, 3 and 7,

Recalling also its decision 8/CP.4 whereby it requested the Subsidiary Body for Scientific and Technological Advice to undertake preparatory work to enable the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session after the entry into force of the Kyoto Protocol, to consider ways to facilitate cooperation to enhance the individual and combined effectiveness of policies and measures under Article 2, paragraph 1 (b), of the Kyoto Protocol,

Noting the Chairman's report on the workshop held in Copenhagen from 11 to 13 April 2000,[47] pursuant to decision 8/CP.4,

Appreciative of the contribution of the Governments of Denmark and France in sponsoring this workshop,

Recognizing that the implementation of policies and measures contributes to achieving the objectives of the Convention and the Kyoto Protocol,

Recognizing also the value of information exchanges on "good practices" in policies and measures which are based on national circumstances, in furthering the objectives of the Convention and the Kyoto Protocol,

1. *Decides*, in making preparations during the lead-up to the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, in relation to Article 2, paragraph 1 (b), of the Kyoto Protocol, to continue to facilitate cooperation among Parties included in Annex I to the Convention (Annex I Parties) in order to enhance the individual and combined effectiveness of policies and measures such as those in Article 2,

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[45] This text was available to the Conference of the Parties at the second part of its sixth session in document FCCC/CP/2001/2/Add.5.

[46] In the context of this decision, the term "good practice" replaces the term "best practice".

[47] FCCC/SBSTA/2000/2.

paragraph 1(a), of the Kyoto Protocol, in particular by sharing experience and exchanging information at a technical level, and taking into account national circumstances;

2. *Decides further* that the work referred to in paragraph 1 should take place under the guidance of the Subsidiary Body for Scientific and Technological Advice (SBSTA), *inter alia* through initiatives involving all Parties and, as appropriate, environmental and business non-governmental organizations, and should include the exchange of information on policies and measures undertaken by Annex I Parties in all relevant sectors and on cross-cutting and methodological issues;

3. *Decides* that this work should contribute to the improvement of transparency, effectiveness and comparability of policies and measures. To that end this work should:

(a) Enhance transparency in reporting on policies and measures in the national communications of Annex I Parties through, as appropriate, criteria and quantitative parameters, and consider issues of methodology, attribution, and national circumstances;

(b) Facilitate information sharing on ways Annex I Parties have striven to implement policies and measures in such a way as to minimize adverse effects, including the adverse effects of climate change, effects on international trade, and social, environmental and economic impacts on developing country Parties taking into account information related to these issues provided by Parties not included in Annex I to the Convention (non-Annex I Parties);

(c) Assist Parties and the Conference of the Parties in identifying further options for cooperation between Annex I Parties and other interested Parties to enhance the individual and combined effectiveness of their policies and measures;

4. *Decides also* that this work should contribute to the elaboration of elements for reporting information on demonstrable progress pursuant to decision -/CP.7;

5. *Requests* the secretariat, under the guidance of the SBSTA in collaboration with relevant international and intergovernmental organizations of Annex I and non-Annex I Parties active in the area of policies and measures to support this work by organizing, *inter alia*, workshops and side events and invites such organizations to provide input as appropriate and to present a status report on their activities related to policies and measures to the SBSTA at its fifteenth session;

6. *Requests* the secretariat to make available the information on policies and measures implemented and planned related to this work as well as to provide information on policies and measures reported in the third national communications by Annex I Parties when available;

7. *Requests* the secretariat to organize the first workshop under this decision and to report the initial results of this work to the SBSTA for consideration at its fifteenth session. This workshop will be held according to the terms of reference adopted by that body at its fourteenth session based on submissions of Parties by 31 March 2001;

8. *Requests* the SBSTA to consider at its fifteenth session the initial results obtained from the actions taken pursuant to this decision and to report them to the Conference of the Parties at its seventh session with a view to considering any further action;

9. *Invites* Annex I Parties and interested international organizations to provide the necessary financial support for the workshops and other activities identified in this decision.

V. NATIONAL SYSTEMS, ADJUSTMENTS AND GUIDELINES UNDER ARTICLES 5, 7 AND 8 OF THE KYOTO PROTOCOL

The texts of these draft decisions are not reproduced here, as they appear in the report of the Conference of the Parties at the first part of its sixth session (see FCCC/CP/2000/5/Add.3 (vol. III)).